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**community development  
and  
housing**

*new*

*Gale Marshall*  
**new directions  
for programming**

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Mayor's Office of Community Development  
San Francisco, California  
March 1974



## PREFACE

*San Francisco has been receiving funds from the Federal Department of Housing and Urban Development for a variety of community development and housing programs. New Federal legislation is being proposed which would provide such financial assistance in a substantially different manner.*

*This report summarizes current programs now underway in San Francisco, describes the proposed Federal legislation, identifies the local procedures that would be needed for future programming, and outlines executive responsibilities for the coordination of HUD-assisted programs for community development and housing.*



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OFFICE OF THE MAYOR  
SAN FRANCISCO



JOSEPH L. ALIOTO

March 1974

Transmittal

Congress is currently considering legislation to consolidate funding of certain categorical programs for community development administered by the U.S. Department of Housing and Urban Development (HUD). In San Francisco, these programs include code enforcement (FACE), redevelopment, neighborhood facilities, open space, and model cities. The new legislation would provide a consolidated grant directly to the City rather than the present system of providing separate grants to various City agencies and departments. Such legislation would require a new and more direct responsibility for elected officials in the coordination and management of program responsibilities for community development.

Enclosed is a report, entitled Community Development and Housing: New Directions for Programming, prepared by the Mayor's Office of Community Development with the cooperation of the Citizens Committee on Community Development (CCCD) and the Technical Policy Committee (TPC) comprised of the directors of City departments and agencies with responsibility for HUD-assisted programs.

The report (1) summarizes current HUD-assisted programs in San Francisco for community development and housing, (2) describes the various proposals for Federal legislation on community development and housing, and (3) outlines procedures for determining the local use of community development funds under proposed Federal legislation.

*Joseph L. Alioto*

Joseph L. Alioto  
Mayor

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March 1974



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## CONTENTS

### I. INTRODUCTION

A. New Directions .....	1
B. General Organization of the Mayor's Office .....	3

### II. EXISTING HUD ASSISTANCE: Community Development

A. FACE .....	5
B. Redevelopment .....	8
C. Neighborhood Facilities .....	11
D. Open Space and Urban Beautification .....	11
E. Model Cities .....	12
F. Community Development Summary .....	13

### III. EXISTING HUD ASSISTANCE: Housing

A. Section 312 .....	15
B. Section 115 .....	16
C. Section 235 .....	17
D. Section 202 .....	17
E. Section 221(d)(3) MIR (with Section 101) .....	17
F. Section 221(d)(3) BMIR .....	18
G. Section 236 (with Section 101) .....	18
H. Conventional Public Housing .....	19
I. Section 23, Leased Public Housing .....	20
J. Recapitulation .....	21

### IV. PROPOSED FEDERAL LEGISLATION

A. Community Development .....	22
B. Housing .....	37
C. Related Actions In Congress .....	48

### V. COMMUNITY DEVELOPMENT PROGRAMMING

A. General Procedures for Programming .....	51
B. Procedures for Programming Community Development .....	53
C. Procedures for New Projects .....	55
D. Citizen Participation .....	55
E. Organizational Considerations .....	57

### VI. EXECUTIVE RESPONSIBILITIES FOR PROGRAM COORDINATION

A. Prior to Enactment of New Federal Legislation .....	62
B. After Enactment of New Federal Legislation .....	65

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## I. INTRODUCTION

### A. New Directions

From the time of this country's beginning, the Federal government has provided financial assistance to local governments. Since World War II, major assistance has been provided in such areas as health, education, recreation, law enforcement, manpower training, economic development, transportation, community development and housing.

Federal assistance for community development and housing is administered by the U.S. Department of Housing and Urban Development (HUD). The major programs enacted by Congress for community development include:

FACE (Federally Assisted Code Enforcement),  
redevelopment,  
neighborhood facilities,  
open space and urban beautification, and  
model cities.

Aside from the FHA mortgage insurance programs for regular-market housing, the Federal government has housing assistance programs for rehabilitation and for low and moderate income people:

housing rehabilitation by owners  
(Section 312 loans; Section 115 grants),

private housing for low and moderate income households  
(Secs. 202, 221-d-3, 235, 236; Sec. 101 rent supplements),

public housing for low income households  
(conventional public ownership; Section 23 leasing).

Under the Federal government's traditional approach to assisting a City's community development and housing activities, each categorical program is funded separately by Congress, administered by a special branch of HUD, and related directly to the programs of various City departments and agencies. Each HUD program has its set of requirements and financial arrangements. While the separate programs for community development are reviewed and approved by the Mayor and the Board of Supervisors, their consideration of these matters is not done at one time nor on a regular basis.



In his budget message for this Fiscal Year (July 1973 through June 1974), the President has proposed that the above categorical programs be terminated and that, under new legislation, certain programs be consolidated for future funding. Currently, Congress is considering several legislative proposals for consolidating existing programs. These legislative proposals, described in Section IV of this report, vary from one another in many ways.

The Administration's proposed legislation would consolidate categorical programs for community development and would shift Federal housing policy away from expanding the supply of standard housing for low and moderate income families through new construction and rehabilitation to experimenting and testing the idea of relying on the existing supply of standard housing and providing cash assistance to families for such housing. One Congressional proposal (Senate, Sparkman) would consolidate community development programs and would retain but restructure categorical programs for housing. A second Congressional proposal (House, Barrett/Ashley) would consolidate community development categories as one funding program and the housing categories as another. A third proposal (Mayor Lindsay) would combine the above assistance categories for both community development and housing into a single funding program.

Aside from the issue of which programs should or should not be consolidated, there is the question of how cities would receive HUD funds. Under the Administration's proposal, all cities... whether they have participated in HUD programs or not... would automatically receive community development funds with minimal local effort (this is referred to as special revenue sharing). In contrast, the legislative proposals initiated in Congress would identify national goals for the use of funds and would require cities to apply for funds to carry out their locally-determined program (this is referred to as block-grant funding).

Regardless of which legislation is passed, local Mayors and legislative bodies will have major responsibility and accountability in determining program policy for the local use of HUD funds. Thus, under any new system for funding San Francisco's community development and housing program, it will be necessary to establish a new set of procedural relations between elected officials and those City departments and agencies with responsibilities for such program activities. These new relations are described in Section V of this report.

In order to provide the Mayor with administrative and technical capacity in preparing for his new and direct role in community development and housing, an Office of Community Development has been established. To assist the Mayor and the Office of Community Development in carrying out this responsibility, two advisory committees have been created: the Citizens Committee on Community Development (CCCD) and the Technical Policy Committee (TPC).



B. General Organization of the Mayor's Office

The City receives financial assistance from several Federal agencies. These include the departments of:

Labor (DOL);  
Health, Education, and Welfare (HEW);  
Commerce;  
Justice;  
Transportation (DOT); and  
Housing and Urban Development (HUD)

The need to develop executive policy in dealing with Federal assistance programs requires administrative capacity in the Office of the Mayor. Thus, program policy units are being established under the Mayor's Deputy for Development. To date, program policy units have been created for the following:

criminal justice,  
manpower programs,  
economic development, and  
community development.

A program unit on city-wide policy for community services has yet to be created. Program policy coordination for transportation is presently carried out by an inter-departmental committee comprised of the Department of Public Works, Muni, and the Department of City Planning.

The existence of policy units for each of these program areas will provide the Office of the Mayor with the ability to prepare an annual statement on program policy. Such a statement, included in the Mayor's October message on the State of the City, would provide both city departments and the City's citizens with general program directions that the Mayor recommends for the following year. Based upon their review and comments, the Mayor would then have both public and technical guidance in the subsequent preparation of the annual city budget.

The administrative and procedural arrangements for such overall programming was recently evaluated by the Annual Development Program (ADP) Study. The ADP Study, funded by the Federal Regional Council, was undertaken with the assistance of the Department of City Planning and a Technical Advisory Committee comprised of the Director of City Planning, the Mayor's Deputy for Development, the Chief Administrative Officer, the Director of the Department of Public Health, the Director of the Human Rights Commission, the Executive Director of the San Francisco Redevelopment Agency, the Director of the Model Cities Agency, the

Controller, the Mayor's Director of Budgets, and the Board of Supervisors' Budget Analyst. Among other things, the ADP Study has recommended a procedure for the preparation of an annual improvement program (AIP) to cover all program policy subjects, including community development and housing.



## II. EXISTING HUD ASSISTANCE: COMMUNITY DEVELOPMENT

Since World War II, San Francisco has made use of a variety of HUD's community development programs. These include:

FACE (Federally Assisted Code Enforcement),  
redevelopment,  
neighborhood facilities,  
open space, and  
model cities.

This section describes existing HUD assistance to San Francisco for these community development programs. (The data, provided by the operating agencies, is as of January 1974.)

### A. FACE

Preventing slums is cheaper and less difficult than replacing slums with new development. But even preventing slums requires considerable investment in the maintenance and improvement of property. The FACE program (sometimes called concentrated code enforcement) can be used in those older neighborhoods where buildings have not deteriorated beyond repair at reasonable costs.

Under the FACE program, all properties are inspected for code compliance, low cost loans become available for rehabilitation (correcting code deficiencies and making general property improvements), and the City makes public improvements such as tree planting, placing utility wires underground, and repaving streets. Under certain conditions, the loans may cover the refinancing of existing mortgages.

Since 1966, Federal assistance for concentrated code enforcement has been locally authorized in nine neighborhoods. Four of these areas are essentially completed:

1. Arguello Park,
2. Buena Vista Heights,
3. Glen Park, and
4. Great Highway.

Three areas are being actively carried out:

5. Alamo Square,
6. Bernal Heights, and
7. Duboce Triangle.

About 4,600 buildings with over 10,000 dwelling units are involved in the above seven FACE areas.

Two new areas were submitted to HUD for financial assistance over three years ago but have not been approved:

8. Upper Ashbury, and
9. Inner Richmond.

These latter two areas include over 2,650 buildings with more than 5,600 dwelling units.

Based upon the experience in the four completed areas, inspections found about 10% of the housing to be standard when the program began and, as a result of the program, the percentage went up to about 97%.

In the four completed areas, the amount of standard housing has been increased from about 600 units to almost 5,500 units. In the three active areas, standard housing should increase from about 50 units to almost 4,600. Thus, for these seven areas, the FACE program should generate about 9,450 additional units in standard condition. In the two proposed areas, another 5,000 units could be brought into standard condition through neighborhood conservation.

Generally speaking, Federal grants for administering a FACE program involve (1) two-thirds of the cost of building inspectors and rehabilitation specialists, (2) rehabilitation grants for low-income property owners, and (3) relocation grants for the modest amount of displacement that may occur in the process. The local one-third share is generally provided by the value of public improvements made in a FACE area and by the value of local staff contribution.



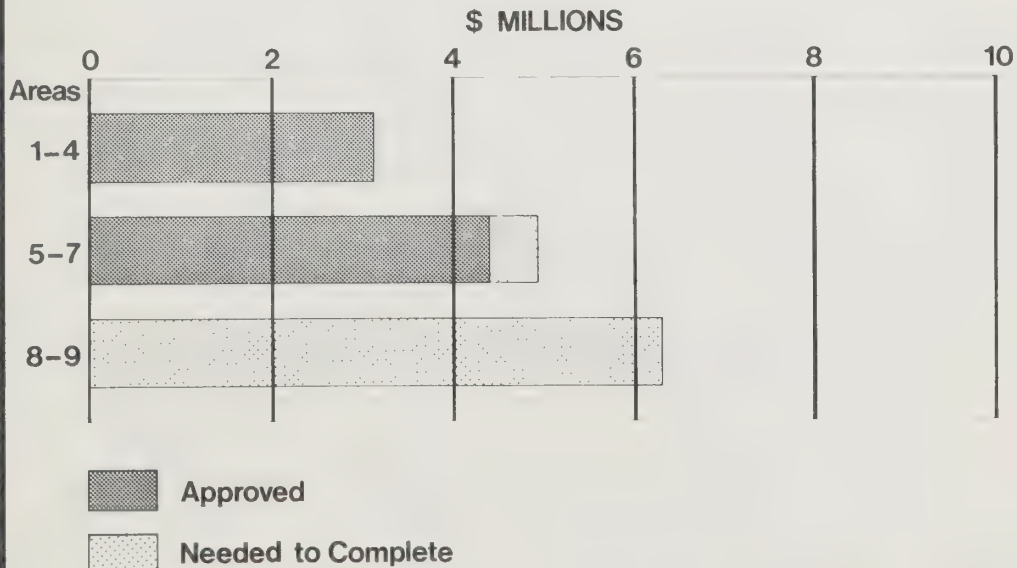
For FACE areas in San Francisco, HUD approvals of Federal grant requirements amount to the following:

Grant Approvals (by Areas)	\$ Millions			Total
	Code Enf. (Sec. 117)	Rehab. (Sec. 115)	Relocation (Sec. 114)	
Received (1-4)	2.6	0.5	0.1	3.2
Received (5-7)	3.1	0.4	0.7	4.2
Needed (5-7)	0.5	0.0	0.0	0.5
Needed (8-9)*	3.7	1.1	1.4	6.2
Totals	9.9	2.0	2.2	14.1

\* Based on costs in 1970.

In summary, then, the administration of San Francisco's FACE program requires a total of \$14.1 million in Federal funds. Since the end of 1966, HUD approval of \$7.4 million has been received...an average of about \$1.0 million a year. However, another \$6.7 million is needed to complete locally-approved FACE areas.

### HUD Assistance for San Francisco's FACE Program



## B. Redevelopment

The redevelopment process is used where physical and economic conditions require major corrective actions. These conditions include blighted and deteriorating buildings, the mis-use of land, and arrested development. Based upon an officially-approved renewal plan for the area, the corrective actions involve (1) the acquisition of the worst buildings, (2) the rehousing of residents and businesses, (3) the removal of deteriorated buildings and inappropriate uses, (4) the installation of new streets and utilities, (5) the sale of sites for development, (6) the construction or improvement of public facilities, (7) the new construction of residential, commercial and industrial buildings, and (8) the retention of existing buildings which are in sound condition or feasible of rehabilitation.

In California, the organization and procedures for redevelopment are established by the State Community Redevelopment Law. Since 1955, official renewal plans have been approved for Federal assistance in seven areas in San Francisco:

Diamond Heights,  
Golden Gateway,  
Western Addition A-1  
Western Addition A-2  
Yerba Buena Center,  
Hunters Point, and  
Butchertown.

In addition, the City has authorized that a plan be prepared for the Stockton-Sacramento site in Chinatown.

While the San Francisco redevelopment program involves major development of commercial and industrial facilities, the emphasis of the program is on housing. Of the more than 800 net acres to be renewed, 46% are scheduled for residential use, 27% for public and semi-public use, 15% for commercial purposes, and 12% for industrial development. About 16,700 housing units are programmed, including the retention-rehabilitation of about 3,000 units and the construction of 13,700 units. Of the new housing, 45% is programmed for households of low and moderate income.

New Housing Program (January 1974)			
	<u>Regular Market</u>	<u>Low &amp; Mod. Income</u>	<u>Total</u>
Completed	3,752	2,570	6,322
Scheduled	3,846	3,524	7,370
Totals	7,598	6,094	13,692



In addition to housing, San Francisco's redevelopment program includes the development of schools, recreation and open space, churches, shopping facilities, theaters, hotels, office buildings, a convention center, a sports arena, and an industrial park.

Except for the retention-rehabilitation program in redevelopment areas, the rebuilding process involves the relocation of a considerable number of residents and businesses. As of January 1974:

	<u>Families</u>	<u>Individuals</u>	<u>Businesses</u>
Completed	3,616	5,330	2,397
Scheduled	377	869	265

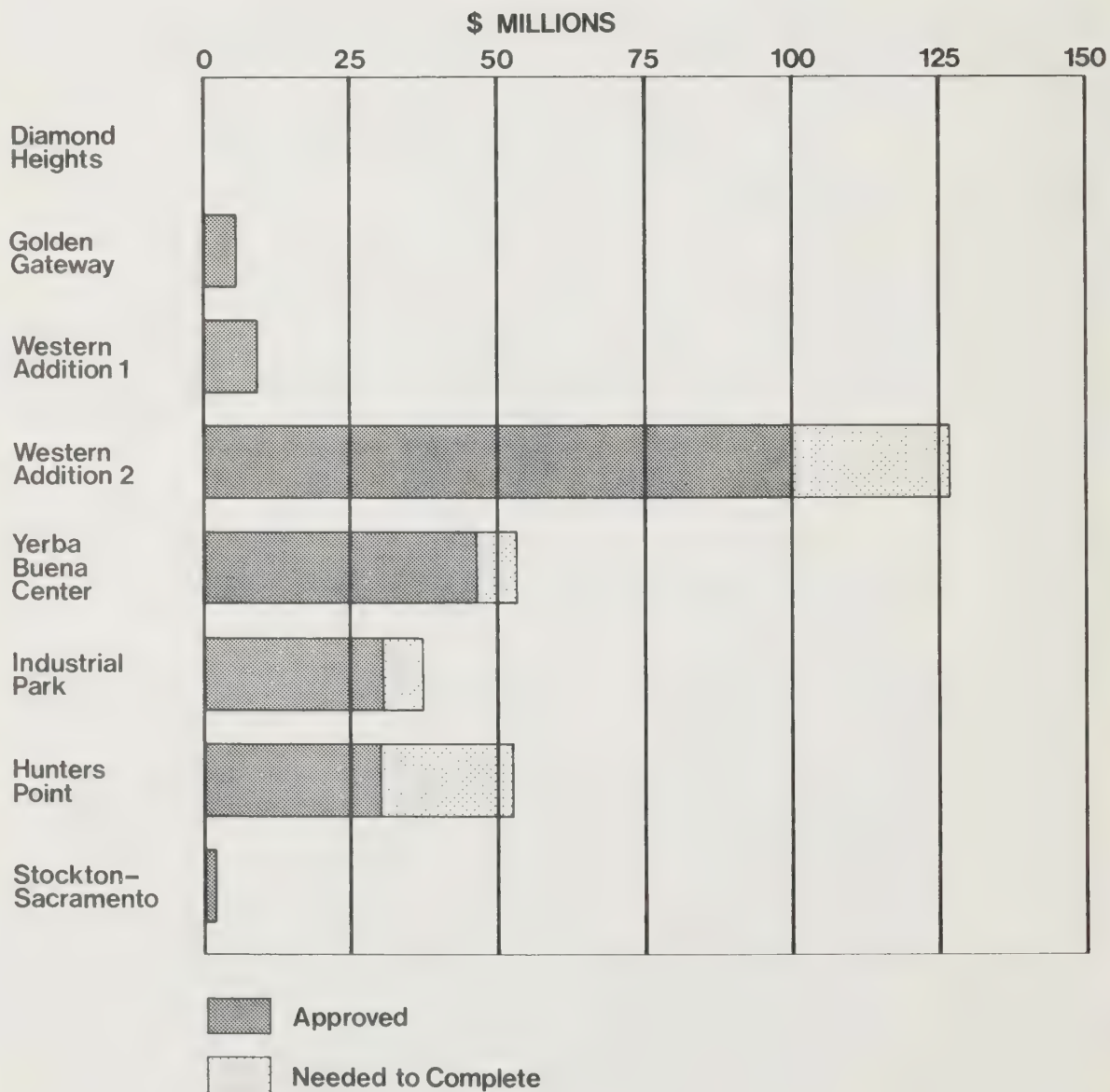
As of January 1974, over 88% of the relocation and rehousing programs were completed.

Federal grants for the redevelopment program are figured in essentially the same way as for the FACE program. For redevelopment areas in San Francisco, HUD approvals of Federal grant requirements amount to the following:

<u>Redevelopment Area</u>	<u>\$ Million</u>		
	<u>Total</u>	<u>Received</u>	<u>Needed</u>
Diamond Heights	-	-	-
Golden Gateway	5.0	5.0	-
Western Addition A-1	8.9	8.9	-
Western Addition A-2	126.6	100.0	26.6
Yerba Buena Center	53.9	46.3	7.6
I.B. Industrial Park	36.1	31.4	4.7
Hunters Point	53.2	30.1	23.1
Stockton-Sacramento	1.3	1.3	-
Totals	285.0	223.0	62.0

In summary, the redevelopment program requires a total of \$285 million in HUD funds (including \$28.5 million for relocation). As of now HUD approval for \$223 million has been received. However, there is a need for an additional \$62 million to complete locally-authorized redevelopment areas.

## HUD Assistance for San Francisco's Redevelopment Program





### C. Neighborhood Facilities

One of HUD's categorical programs provides financial assistance for the development of neighborhood facilities. These facilities can be used as a center for neighborhood activities and can include meeting rooms, recreation rooms, and space for public services such as health and child care.

To date, the only use of this program in San Francisco has been in the Hunters Point redevelopment area. The development includes a neighborhood activities center with space for meeting rooms, indoor recreation, a child care center, and other community activities. In addition, there are three other child care centers in key locations throughout the redevelopment area. About three more child care centers are programmed for later phases of the Hunters Point program. Another neighborhood facility is planned for the Western Addition A-2 redevelopment area.

Like both the FACE and redevelopment programs, the HUD grant for neighborhood facilities is two-thirds of the project cost. Total HUD grant requirements for the neighborhood facility program in San Francisco amounts to \$2.61 million. To date HUD has provided approval for \$0.93 million for Hunters Point. Another \$1.68 million is needed for Western Addition.

### D. Open Space and Urban Beautification

Other HUD-Assistance programs provide funds for open space, urban beautification, historical preservation, and mini-parks. These funds are used for acquiring recreation space, the installation of landscaping, play equipment, benches, lights and the restoration of historical buildings.

As of January 1974, San Francisco has received HUD grant approvals totaling \$2.36 million. These funds have been made available by the following categories:

	<u>\$ Millions</u>
open space	.47
urban beautification	1.58
historical preservation	.08
mini-parks	.23

Although additional funds are needed for open space and beautification, no applications are pending with HUD or in preparation.

### E. Model Cities

The present Model Cities Program is based upon the Demonstration Cities and Metropolitan Development Act passed by Congress in 1966. The purpose of the Act is for selected cities to demonstrate how to prepare and carry out a comprehensive, five-year program involving funds from many Federal and State agencies as well as from local governments.

The principal HUD grant for this program, known as supplemental funds, is based upon the level of financial assistance from the many regular categorical programs of all Federal agencies.

In San Francisco, as in most cities involved in the Model Cities Program, the local comprehensive plan gives major emphasis to social programs and services. These include activities related to:

- health
- education
- social services
- leisure, art, recreation, and culture
- law and justice
- manpower and job development
- employment and economic satisfaction
- housing

The San Francisco Model Cities Program involves two neighborhoods: the Bayview-Hunters Point area and the Mission District. The programs for each neighborhood are prepared under the leadership of a citizen board and with wide-spread citizen participation. Each neighborhood has a citizen participation staff to assist in preparing and carrying out programs.

The central administration of the program in both neighborhoods is located in the Model Cities Agency (MCA). The functions of the MCA are to facilitate contract negotiations, to provide fiscal control of projects, to evaluate the results of program activities, and to work with Federal, State and local agencies.

Federal grants for Model Cities Programs cover 100% of the costs for the program activities themselves and 80% of administration and evaluation costs. The local share of the administrative cost is generally provided in cash by the City. For San Francisco's Model Cities Program, Federal grant requirements amount to the following:



*Hunter's Point -  
mission*

### Received

Orig. Planning (70-71)

Aug 1971 - Aug 1972

Sep 1972 - Jan 1973

Feb 1973 - Aug 1973

Sep 1973 - Jun 1974

Relocation

\$ Millions			
<u>BV-HP</u>	<u>MSSN</u>	<u>MCA</u>	<u>TOTAL</u>
--	--	.26	.26
3.52	2.72	.96	7.20
.78	.96	.28	2.02
2.87	2.70	.90	5.33
--	--	.58	1.14
--	--	.58	.58
7.18	6.38	2.97	16.53

### Need

Sep 1973 - Jun 1974

Jul 1974 - Jun 1975

Jul 1975 - Jun 1976

4.98

7.35

7.35

19.68

### Total

36.22

In summary, the local Model Cities Program involves a total of \$36.2 million in Federal funds. As of January 1974, \$16.5 million has been provided. However, another \$19.7 is needed to complete the five-year program.

## F. Community Development Summary

The total Federal funding requirements for all of San Francisco's existing community development programs is about \$340 million. Of this

	\$ Millions		
	<u>Total</u>	<u>Received</u>	<u>Need</u>
FACE	14.1	7.4	6.7
Redevelopment	285.0	223.0	62.0
Neigh. Facilities	2.6	.9	1.7
Open Space	2.4	2.4	--
Model Cities	36.2	16.5	19.7
	340.3	250.2	90.1

amount, HUD has approved \$250 million. Additional funds needed from HUD to complete these existing programs are about \$90 million.

\*\*\*\*\*

During the last two years, Federal funds appropriated by Congress for various categorical programs have been impounded by the President. In addition, a moratorium has been established regarding the funding of assisted housing. And, in his budget message for this fiscal year (July 1973 through June 1974), the President has proposed that the above programs be terminated, that essentially no funds be authorized by Congress, and that the programs could be funded in the next fiscal year (beginning July 1974) under the Administration's proposed legislation for community development revenue sharing. As mentioned earlier, alternative legislation has been proposed in Congress for the block-grant approach to funding. Thus, all of the present programs are experiencing severe cutbacks this year and face great uncertainty of when and how new Federal legislation will restore normal funding levels.

In response to the funding crisis created by the above circumstances, Congress has initiated actions to provide adequate funding for both this fiscal year and the next in order to maintain program activities until existing programs are replaced by new legislation. These actions are described in Section IV, Part C.



### III. EXISTING HUD ASSISTANCE: HOUSING

Since the 1930's, the Federal government has undertaken a variety of housing assistance programs. A number of these categorical programs are for the general purposes of housing rehabilitation, private housing for low and moderate income residents, and public housing for low income residents. Described below is the use of existing categorical housing programs in San Francisco for the above purposes. (The data, provided by operating agencies, is as of October 1973.)

#### A. Section 312

Under the Section 312 program, HUD makes low-interest loans for housing rehabilitation to property owners in FACE and redevelopment areas. These loans are for up to \$17,400 per dwelling unit for up to 20 years at 3% per annum. As of January 1974, rehabilitation loans made in the FACE areas averaged almost \$5,350 per housing unit. In redevelopment areas, where higher standards of rehabilitation prevail, loans are averaging about \$6,950 per unit. The following table shows the use of the Section 312 program in San Francisco.

	<u>No. of Units</u>	<u>Loans, \$ Millions</u>
<u>FACE Areas</u>		
Complete or under Construction	2,437	12.96
Funds Committed	10	.12
Program Needs	<u>2,540</u>	<u>13.80</u>
Subtotals	4,987	26.88
<u>Redevelopment Areas</u>		
Complete or under Construction	306	2.13
Funds Committed	0	0
Program Needs	<u>1,827</u>	<u>18.28</u>
Subtotals	2,133	20.41
Totals	7,120	47.29

In summary, Section 312 rehabilitation is completed, underway, or committed for 2,753 units with \$15.2 million in low-interest loans to property owners in urban renewal areas. To complete San Francisco's existing program areas, an additional \$32.1 million is needed to rehabilitate 4,367 units.

B. Section 115

Under the Section 115 program, rehabilitation grants are provided to needy property owners in FACE and redevelopment areas. These grants are for up to \$3,500 of the cost of eliminating code deficiencies. In the FACE areas, rehabilitation grants averaged \$1,640 per housing unit. In redevelopment areas, grants are averaging \$2,830 per unit. The following table shows the use of the Section 115 program in San Francisco.

	<u>No. of Units</u>	<u>\$ Grants</u>
<u>FACE Areas</u>		
Complete or Under Construction	488	798,869
Funds Committed	1	3,500
Program Needs	<u>348</u>	<u>1,217,000</u>
Subtotals	837	2,019,369
<u>Redevelopment Areas</u>		
Complete or Under Construction	17	48,100
Funds Committed	0	0
Program Needs	<u>10</u>	<u>35,000</u>
Subtotals	27	83,100
Totals	864	2,102,469

In summary, \$0.85 million in rehabilitation grants to property owners in urban renewal areas for 506 housing units have been authorized by HUD. For existing program areas, an additional \$1.25 million is needed for about 358 units.



C. Section 235

Section 235 provides insurance for loans to finance construction or rehabilitation of single-family housing. The loans are for 30 years at the market rate of interest. HUD makes periodic assistance payments to the lender on behalf of the owner in an amount necessary to make up the difference between 20% of the family's income and that required to make the monthly payments. Because of cost limitations on land and construction, this program has been used for only eight units in San Francisco.

D. Section 202

Under the Section 202 program, HUD made direct loans to private non-profit sponsors for housing for the elderly and the physically handicapped. The loans are for 100% of replacement cost (land and construction), bear an interest rate of 3%, and are for a term of fifty years.

With a loan of \$466,000, one project containing 32 housing units has been constructed. The interest subsidy for this development is estimated at about \$7,000 per year. Because this program has been phased out, no additional units are programmed.

E. Section 221(d)(3)MIR (with Section 101)

This program insures loans to non-profit sponsors or limited-dividend investors. The loans bear the market interest rate (MIR) and a loan term of 40 years. With federal rent supplement grants under Section 101, rents can be reduced to meet the needs of low income residents. (Rent supplements make up the difference between 25% of a tenant's income and the amount needed to cover operating costs and to pay off the mortgage.) This program is being used for the rehabilitation of five older hotels in downtown San Francisco. The following table summarizes the use of this program.

	<u>Units</u>		<u>\$ Millions</u>	
	<u>Total</u>	<u>Rent Supplements</u>	<u>Loans</u>	<u>Rent Supplements</u>
Complete or Under Construction	669	669	8.01	.88
Funds Committed	0	0	0	0
Program Needs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	669	669	8.01	.88

F. Section 221(d)(3)BMIR

This Section insures loans to non-profit sponsors or limited dividend investors for moderate income housing. The loans are for a 40-year term at a below-market interest rate (BMIR) of 3%. In order to provide units for low-income families, Federal rent supplements have been used in some developments. With loans totaling \$25.2 million, 1,368 housing units were built in five developments in Diamond Heights, Western Addition, and Visitacion Valley. Interest subsidies for these five developments are about \$0.5 million per year. Seventy-three units in two of the five developments are using \$87,600 per year for rent supplements. This program has been replaced by Section 236.

G. Section 236 (with Section 101)

Along with rent supplement grants, Section 236 insures loans to non-profit sponsors and limited dividend investors for low and moderate income housing. The loans are for 40 years at the market interest rate. However, Federal grants are used to subsidize interest charges, reducing the rate to as low as one percent. In addition, occupants of some units may receive rent supplements under Section 101.

Section 236 has been used primarily in the Diamond Heights, Western Addition, and Hunters Point redevelopment areas. It has also been used in the Mission Model Neighborhood and in other areas of the City. A summary of this program is tabulated below.

	<u>Units</u>		<u>\$ Millions</u>		
	<u>Total</u>	<u>Rent Supplement</u>	<u>Insured Loans</u>	<u>Annual Interest Subsidy</u>	<u>Annual Rent Supplements</u>
Complete or Under Construction	3,040	1,029	65.86	3.43	1.31
Funds Committed	810	252	21.06	1.07	.33
Program Needs	<u>1,329</u>	<u>426</u>	<u>33.24</u>	<u>1.87</u>	<u>.54</u>
Totals	5,179	1,707	120.16	6.37	2.18



## H. Conventional Public Housing

The provision of subsidized housing for low-income families and senior citizens is an important feature of San Francisco's program. Of the almost 5,900 units of private housing being assisted under the categorical programs described earlier, about 3,900 are for people of moderate income and, through rent supplements, 2,000 are for low-income households.

However, the majority of publicly-assisted low-income housing, 7,133 units, is owned and operated by the San Francisco Housing Authority. Approximately 25 percent of these units are in the Western Addition area and about 18 percent in the Bayview-Hunters Point area. The remainder are scattered throughout the City. These units include eighteen apartment buildings with 1,677 units designed for the elderly. The total construction cost of all completed units is about \$100.3 million.

Under the United States Housing Act of 1937, the development of public housing for low-income residents is financed by Federally-guaranteed bonds issued by local housing authorities. Operating costs and loan repayments are paid out of rental income and annual contributions from the Federal government.

The San Francisco Housing Authority uses three methods to obtain new units for low-income households:

1. The "conventional" method (6,120 units) through which the Authority itself develops and administers a project from initial site selection through completion.
2. The "turnkey" method (962 units) through which a private developer designs and constructs a project according to Housing Authority design specifications and then sells the completed project to the Housing Authority. Site selection and approval by the Housing Authority precede construction.
3. The "acquisition" method (51 units) through which the Housing Authority acquires completed units or units under construction which closely follow Authority design and planning criteria.

With the exception of 90 units on scattered sites in Western Addition for which about \$2.8 million has been authorized, all projects for which HUD funds are committed have been constructed. San Francisco voters, through referenda in 1962 and 1968, approved construction of 5,500 public housing units. The Federal government has not funded any of the 4,226 units which remain to be built (1,268 for families and 2,958 for the elderly). As of December 1973, 4,412 households were on the Housing Authority waiting list (1,264 families and 3,148 elderly).

In 1969, the Housing Authority began a \$8.5 million modernization program for 22 of the oldest projects (5,514 units). Two projects, one in Hunters Point and one in Western Addition, received a special \$1.0 million Federal grant for an "innovative modernization program" for physical rehabilitation and tenant services. However, approximately \$39.0 million is still needed for further modernization work in these and other projects.

Most public housing tenants in San Francisco have extremely low incomes. About 90 percent live on welfare payments, social security, or some form of disability allowance. They need extensive social services such as recreation, education, and counseling. The Authority supplies many services and refers tenants to services offered by other public and private agencies. A special security police for housing projects is also employed by the Authority.

The San Francisco Housing Authority faces severe financial difficulties. The Brooke amendments to the Housing Acts of 1969 and 1970 prohibit housing authorities from charging rent which is more than 25 percent of a tenant's adjusted income. As a result, rental income has dropped. In addition, HUD impounded operating subsidies authorized by Congress. Funds finally released by HUD were inadequate. For Fiscal Year 1974, HUD is expected to supply about \$3.9 million in operating subsidies towards an Authority operating budget of about \$9 million. However, the Authority estimates its actual needs for the same period, including deferred maintenance, at over \$19 million.

## I. Section 23, Leased Public Housing

Section 23 provides Federal funds to local housing authorities for leasing units in existing residential structures for sub-lease to low-income families. Tenant income limits for this program match those for conventional public housing. There are 1,150 such units currently under lease in San Francisco at an annual cost of about \$1.36 million. In August 1972, HUD was requested to authorize an additional 1,000 units at an annual cost of \$1.78 million.



# J. Recapitulation

As of January 1974, HUD-assistance to San Francisco's housing program has involved 17,559 units. To meet the needs of the City's existing program, assistance is needed for an additional 11,280 units.

	<u>Completed Under Constr or Committed</u>	<u>Additional Program Needs</u>	<u>Total</u>
Rehab Loans and Grants	3,259	4,725	7,984
Assisted Private Housing	5,927	1,329	7,256
Public Housing	<u>8,373</u>	<u>5,226</u>	<u>13,599</u>
Totals	17,559	11,280	28,839

## IV. PROPOSED FEDERAL LEGISLATION

As indicated in the Introduction of this report, Congress is currently considering several legislative proposals regarding Federal assistance to local programs for community development and housing.

### A. Community Development

New Federal legislation to consolidate existing community development programs into a single-funded system has been considered by Congress for the last two years. In 1971, the Administration proposed its first special revenue sharing bill (S.1618) and Senator Sparkman, who is a principal leader in Congress on community development and housing affairs, proposed a block-grant bill (S.2333). In 1972, Sparkman, re-introduced the block-grant concept to begin in July 1973 as part of an omnibus bill on community development and housing (S.3248). The Sparkman bill passed the Senate in March 1972 by a vote of 80 to 1 and the bill's counterpart was approved by substantive committees in the House of Representatives. However, because of controversy in other sections of the bill and because time was running out, the bill died in the House Rules Committee in late September 1972.

Congress is now considering three major bills on community development consolidation:

the Administration's bill  
the Better Communities Act  
(S.1743 and H.R. 7277);

the Senate bill (Sparkman),  
the Community Development  
Assistance Act (S.1744);

the House bill (Barrett/Ashley),  
the Housing and Urban Develop-  
ment Act (H.R. 10036, Part A).

All three bills have some desirable features. However, a block-grant approach (Sparkman or Barrett/Ashley), which establishes national goals and requires a local program for the use of community development funds, is more desirable than the Administration's special revenue sharing proposal which would allow such funds to be used without reference to the problems of blight and the housing needs of low and moderate income families. Any new system for the provision of Federal assistance to local community development programs should incorporate the following principles:

1. consolidation of urban renewal (FACE and redevelopment), neighborhood facilities, open space, basic water and sewer facilities, and model cities (it is more appropriate that the Section 312 housing rehabilitation loan program be maintained as one of the HUD-administered housing programs);
2. requirement that grants go to units of general purpose local government (in San Francisco, this would mean that the distribution of funds to local community development agencies would be determined by the City rather than by HUD);
3. establishment of national objectives related to the use of community development funds (e.g., the need for housing in a suitable living environment, the prevention and elimination of slums and blight, and the improvement of community services and facilities);
4. authorization to use community development funds for a broad range of activities, including both physical development and related social services activities in community development areas;
5. requirement that each local government submit a simplified application setting forth a statement of objectives and identifying actions to be taken to meet those objectives and that this application be subject to a speedy and simplified review process by HUD;
6. creation of a stable method of allocating funds to local governments which takes into account a local community's needs, its level of past performance, and its capacity to prepare and carry out a comprehensive community development program;
7. creation of an adequate level of funding that will assure that each unit of local government will at least be eligible for funding at a level equivalent to its past funding;
8. provision of 100% federal funding and assurance of Federal guarantees of local temporary financing arrangements which are necessary to carry out the community's program;
9. provision for multiple-year funding arrangements so that greater continuity and more efficient use of grants can occur;



10. assurance that HUD will reserve housing assistance funds for use in conjunction with local community development programs;
11. provision for a comprehensive programming process in connection with the preparation of a community development program in terms both of (a) executive planning, management, and program evaluation and (b) project planning by operating departments and agencies;
12. requirement for appropriate citizen participation in preparing and carrying out a locality's community development program.

To insure an orderly transition from the present categorical system, two additional prerequisites are of critical importance:

- a. that provision be made for transitional funds for existing programs, and
- b. that, between now and the effective date of new legislation, adequate funding be provided in each Fiscal Year for all existing programs.

These two prerequisites are essential if local governments are to maintain appropriate levels of program activity and to have a clean slate for establishing priorities for new directions in community development programming.

Following are the basic features of each of the three legislative proposals as described by their sponsors.

\* \* \* \* \*

The Administration's proposed Better Communities Act (BCA) is part of the President's "New Federalism."\* According to the Administration, the highlights of the BCA are as follows:

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\* As described by HUD Secretary James T. Lynn, new federalism involves three principles: (1) a budget which is not inflationary but which also takes the needs of citizens into account; (2) a commitment to reorganize the Federal administration for better performance; and (3) a return of appropriate power to State and local governments. (Testimony before the Senate Subcommittee on Intergovernmental Relations, March 14, 1973.)

- Replaces existing HUD categorical programs with a special revenue sharing system which enables local leaders to use the Federal funds for community development in accordance with local objectives and priorities.
- Provides the funds directly to local elected governments, the governments most responsible to the people affected by the decisions.
- By allocating funds by formula on the basis of need, provides funding for many communities not reached under the present HUD programs being replaced.
- A hold harmless provision protects communities heretofore receiving funding under the categorical programs against inequity in the transition to the special revenue sharing approach.
- Under the formula, based on need, assures automatic annual funding to metropolitan cities and urban counties.
- Under a needs formula, assures an allocation of funds for each metropolitan area.
- Provides a significant role for State governments.
- With the flexibility given local and State governments, eliminates Federal red tape and bureaucratic restrictions.
- Assures accountability of local citizenry by mandatory publication of the proposed plan for spending the Federal funds for at least 60 days in advance of plan finalization.
- Protects legitimate Federal concerns through public disclosure, reporting procedures, post-audits and other provisions.

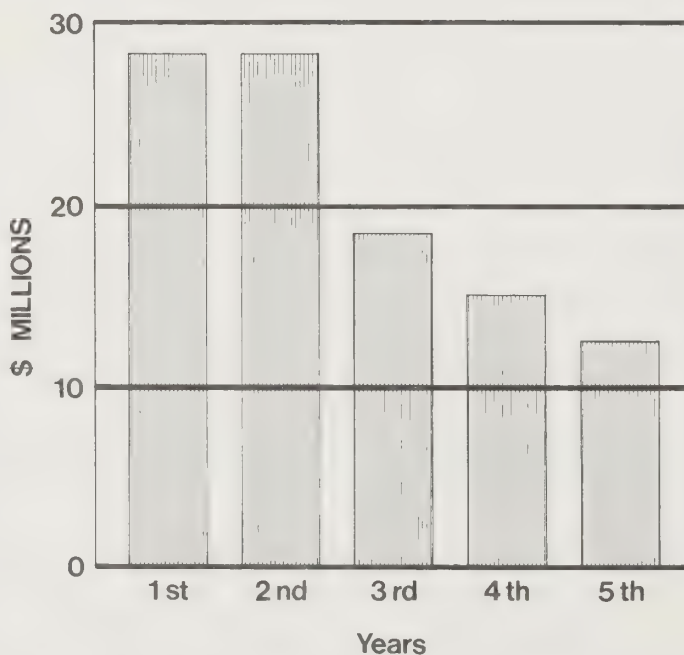
Under the BCA proposal, the major categorical programs that would be consolidated are:

urban renewal (FACE and redevelopment),  
neighborhood facilities,  
open space,  
model cities, and  
housing rehabilitation loans.

Because all cities...whether they have participated in HUD programs or not...would automatically receive funds with minimal local effort, the Administration's proposal is referred to as special revenue sharing.

The level of funding a locality would receive over a five-year period is dependent upon two formulas. One formula, referred to as entitlement, is based upon a locality's population size, amount of poverty, and number of overcrowded housing units. The other formula, which would calculate a hold-harmless figure, is based upon a locality's average level of funding under the existing categorical programs. If, as in the case of San Francisco, the "hold-harmless" amount is larger than the "entitlement" figure, the "hold-harmless" figure is provided for the first two years. Thereafter, the amount is reduced over the next three years until the "entitlement" figure is reached in the fifth year.

### Future Funds to San Francisco Under the Administration's Proposed Better Communities Act



The BCA proposal would provide San Francisco a "hold-harmless" figure of \$28.5 million for the first two years. In the third year, the amount would be \$18.3 million; in the fourth year, \$15.2 million; and in the fifth year, would reach an "entitlement" figure of \$12.2 million. The five-year total of \$102.7 million would be substantially less than the \$122.2 million needed just to complete San Francisco's existing programs for community development (\$90.1 million) and for housing rehabilitation loans (\$32.1 million).

\*\*\*\*\*



In contrast to the Administration's proposal for special revenue sharing under the BCA, Senator Sparkman has re-introduced last year's Senate-approved bill, the Community Development Assistance Act (CDAA). Because this proposed legislation would identify national goals for the use of the funds and would require cities to apply for funds to carry out locally-determined programs, it is referred to as a block-grant funding proposal. This and other fundamental differences were described by Sparkman when he introduced the CDAA in the Senate in May 1973:

### 1. Revenue Sharing .

The principle of special revenue sharing has not yet been accepted by the Congress. It carries with it a transfer of responsibility for meeting national objectives from the Federal Government to local governments with no built-in means for directing or evaluating how the Federal funds are spent, other than a postaudit for accounting and auditing purposes. Under the administration bill, communities would be automatically eligible regardless of plans or national goals, the only requirement being a 60-day time period for local comment and a requirement to meet Federal civil rights and other laws.

The Senate-passed bill of last year had a number of built-in requirements to insure that eligibility would be limited to those communities preparing and implementing plans to meet the national objectives spelled out in the law. This obviously would require HUD review and some delays. The committee would probably want to re-examine its decision of last year which required an application and a year-end review to seek a procedure which minimizes the inevitable bureaucratic application approvals, while at the same time insuring that the program is being administered to meet community development national objectives and not just to reduce local taxes or other purely parochial, partisan or narrow local objectives not considered in the public interest.

### 2. HUD Programs Replaced

The major program difference between the two bills is that the administration bill proposes to terminate the model cities and the rehabilitation loan programs, while last year's bill does not. Last year's Senate bill contemplated the eventual inclusion of the model cities program into the new program, so I see no problem over model cities. However, the termination of the rehabilitation loan program proposed by the administration this year appears to leave a serious gap in the tools for an effective rehabilitation program.

### 3. Funding Levels

Last year's Senate bill authorized \$5.9 billion in contract authority over a 2-year period of time, fiscal years 1974 and 1975. Such contracts could be liquidated subject to an appropriation act by a maximum of \$2.7 billion in fiscal year 1974 and \$3.2 billion in fiscal year 1975.

The administration's bill would authorize an appropriation of \$2.3 billion for fiscal year 1975 with an equal amount contemplated for each of the 4 years thereafter. Considering the inclusion of the model cities program in the administration bill, which last year was at a program level of \$600 million, the sharp reduction in the proposed funding becomes quite apparent.

### 4. Advance Funding

Last year's bill contemplated a 2-year advance funding program to insure continuity from year to year. Two-year contracts would be made by the Secretary which would be renewed each year in order to provide for continuing support on a 2-year cycle subject to adequate contract performance.

### 5. Basic Entitlement for Metropolitan Cities and Urban Counties

The administration's bill would establish a different allocation procedure than the one approved in last year's Senate bill; however, the basic provisions for hold-harmless and the primary distribution of program funds to metropolitan cities in accordance with population size and need would be retained. Entitlement for large metropolitan counties was not covered in last year's bill, but I see no problem in having such counties included.

The distribution of funds through the States rather than by HUD for small communities proposed by the administration is a new proposal that needs to be considered by the committee. Last year's bill made States eligible for funds to carry out community development funds, whereas the administration's bill would contemplate them only as passive distributors of funds. Considerable work needs to be done on the computers to insure that the formula of basic entitlement of funds and hold-harmless provisions are equitable and fair.

## 6. Housing

The administration's bill makes no provision to insure that a recipient community would undertake a program to meet its housing needs as part of its community development efforts. Also, no provision is made in the administration bill to meet the statutory requirement for relocation housing for families displaced by this program or, in fact, by any other current Government program.

Last year's Senate bill not only contemplated a prerequisite plan to meet housing needs, but also a plan to carry out programs to eliminate slums and blight and to improve and upgrade community services and facilities in areas affected by community development programs.

## 7. Loans

No provision is made in the administration bill for Federal support to enable a community to borrow funds at reasonable rates to carry out costly development programs like urban renewal. The bill merely recognizes the right of the community to use whatever financial mechanisms that are available.

Last year's bill made provision for Federal loans to States and communities for planning and operating activities. Our committee has been told that without federally supported loan funds, any substantial development or redevelopment program would not be feasible for most U. S. communities. Land acquisitions, for example, under urban renewal has been largely financed with temporary loans locally issued, but backed by Federal loan commitment.

\* \* \* \* \*

The third and most recent legislative proposal to consolidate community development programs, introduced in the House of Representatives by Congressmen Barrett and Ashley, is Part A of the Housing and Urban Development Act (HUDA).<sup>\*</sup> The purpose of the Barrett-Ashley bill is:

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\* Part B of the Barrett/Ashley bill, which deals with housing, is described on Pages 39 and 40.



...to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which---

- (1) can provide assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;
- (2) encourages community development activities which are consistent with comprehensive local and area-wide development planning;
- (3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and
- (4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

Similar to Senator Sparkman's proposal in the Senate, the Barrett-Ashley bill would identify national goals for the use of community development funds in terms of using programs in blighted neighborhoods, providing public service and facilities, and relating the use of the funds to housing for low and moderate income families.

Also similar to Sparkman's bill but in contrast to the Administration's proposed BCA, a city would have to submit an application which identifies (1) local needs and objectives and (2) the type, location, and estimated cost of community development activities.

\* \* \* \* \*

A more detailed comparison of the three major legislative proposals for community development is presented on Pages 32 through 36.

\* \* \* \* \*

The proposed Senate bill on community development (S.1744) was introduced in May 1973. A proposed Senate bill on housing (S.2182), described in the next sub-section, was introduced in July 1973. Since that time, Sparkman's Committee on Banking, Housing and Urban Affairs combined these proposals into a single, omnibus bill, the Housing and Community Development Act (S.3066). On February 27, this bill was approved by the Committee and reported to the full senate. After its consideration of the proposal, the Senate approved the omnibus bill on March 11 by a vote of 76 to 11.

In terms of funding, the Senate-approved bill would authorize a total of \$10.4 billion for Fiscal Years 1975 and 1976. Of this, \$8.7 billion would cover the proposed new programs for two years. The other \$1.7 billion would provide transitional funding for FY 1975 for existing programs.

	\$ Millions		
	<u>FY 1975</u>	<u>FY 1976</u>	<u>Totals</u>
<u>New Programs</u>			
Community Development	2,800.0	3,300.0	6,100.0
Housing	1,113.5	1,123.0	2,236.5
Other	188.5	223.5	412.0
	<u>4,102.0</u>	<u>4,646.5</u>	<u>8,748.5</u>
<u>Existing Programs (Transitional)</u>			
Urban Renewal	900.0	-	900.0
Model Cities	400.0	-	400.0
Housing	402.0*	-	402.0
	<u>1,702.0</u>		<u>1,702.0</u>
Total			10,450.5

As of March 1974, the House subcommittee on housing is working on its version of an omnibus bill for community development and housing. Its work is expected to be completed in the next few months. The following steps are still required for any new legislation: approval by the House Committee on Banking and Currency; action by the House Rules Committee; approval by the full House; a joint conference committee of the House and the Senate to resolve differences; ratifications by both the House and the Senate; and approval by the President. It is not known how long it might take to complete these steps.

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\* Section 236, \$180 million; Rent Supplements, \$50 million; and Public Housing, \$172 million.

## PENDING LEGISLATION: MAJOR ISSUES IN COMMUNITY DEVELOPMENT

*as of September 17, 1973*

*Prepared by NAHRO Information Center for Community Development*

ISSUES	Chapter III of S3248, as passed by Senate March 2, 1972 and reintroduced by Senator John Sparkman (D-Alabama) on May 9, 1973 as S1744, the Community Development Assistance Act of 1973.	Chapter I, Part A, of HR10036, Housing and Urban Development Act of 1973, introduced by Congressman William A. Barrett (D-Pennsylvania) and Thomas L. Ashley (D-Ohio) on September 5, 1973	Administration bill, the Better Communities Act, introduced in House by Congressman William Widnall (R-New Jersey) as HR7277 on April 19, 1973 and introduced in Senate on May 8, 1973 as S1743
<i>Programs to Be Consolidated</i>	1—Urban renewal (all Title I activities) 2—Neighborhood Facilities 3—Open space, preservation, and beautification 4—Basic water and sewer facilities 5—Advanced acquisition of land 6—Public facilities loans 7—Public works planning advances In introducing S1744, Sparkman said Model Cities may be included this year.	1—Urban renewal (all Title I activities) 2—Neighborhood Facilities 3—Open space, preservation, and beautification 4—Basic water and sewer facilities 5—Advanced acquisition of land 6—Section 312 rehabilitation loans 7—Model Cities	1—Urban renewal (all Title I activities) 2—Neighborhood Facilities 3—Open space, preservation, and beautification 4—Basic water and sewer facilities 5—Section 312 rehabilitation loans 6—Public facilities loans 7—Model Cities
<i>Eligible Grant Recipients; Automatic Entitlements</i>	1—Units of general local government and states. One or more public agencies, including existing local public agencies, may be designated by a unit of general local government to undertake community development in whole or in part.	1—Units of general local government, general purpose political subdivision of a state; a consortium of such political subdivisions recognized by the HUD Secretary; and states. No specific mention of LPAs in statute.	1—Units of general local government and states. There is no designation of LPAs as eligible grant recipients.



ISSUES	SPARKMAN BILL	BARRETT/ASHLEY BILL	BETTER COMMUNITIES ACT
	2—Center cities and other cities of 50,000 eligible for grant entitlements. Urban counties may be added by Senate committee.	2—Center cities and other cities of 50,000 eligible for grant entitlements.	2—Center cities, those of 50,000 or above, urban counties (200,000 population or over), and states would receive grant entitlements.
<i>Eligible Activities</i>	<p>1—Acquisition of property that is (a) blighted, deteriorated, or deteriorating; undeveloped or unappropriately developed; (b) appropriate for conservation or rehabilitation purposes; (c) needed for historic preservation, open space, recreation; (d) to provide public works and facilities; and (e) to be used for other public purposes</p> <p>2—Disposition of such property</p> <p>3—Clearance, removal, or demolition of property</p> <p>4—Providing community facilities or site improvements</p> <p>5—Loans for designing and providing interim financing for public facilities not otherwise eligible under this program</p> <p>6—Relocation payments</p> <p>7—Conservation or rehabilitation of properties through code enforcement, interim assistance, or demolition of unsafe properties</p> <p>8—Development of federal surplus real property</p> <p>9—Technical or financial assistance to organizations and groups participating in community development program</p> <p>10—Rehabilitation grants and loans</p> <p>11—Related public services and “software” activities</p> <p>12—Administrative costs and carrying charges related to planning, execution, and evaluation</p> <p>13—Incentive grants to encourage the timely construction of other federally-aided facilities (such as schools and libraries)—not to exceed 15 percent of the federal share for the facility</p> <p>14—Nonspecified local option activities, not to exceed 10 percent of the grant</p> <p>15—Payments of federal share of completing Title I projects</p> <p>16—No similar provision</p> <p>17—No similar provision</p>	<p>1—(a), (c), (d), and (e) the same; acquisition for rehabilitation and conservation not specifically itemized under this section</p> <p>2—Disposition—similar language</p> <p>3—Clearance, demolition, removal, and rehabilitation of buildings and improvements, including rehabilitation financing of nonresidential property</p> <p>4—Providing public works, facilities, or site improvements</p> <p>5—No similar provision</p> <p>6—Same; plus payments to housing owners for loss of income in holding units off market for use as relocation resource</p> <p>7—Code enforcement in deteriorated or deteriorating areas to arrest decline of the area</p> <p>8—No similar provision</p> <p>9—No similar provision</p> <p>10—For nonresidential, incorporated under item 3 above; residential grants and loans under housing block grant</p> <p>11—Provision of health, social, training, and similar related and necessary services</p> <p>12—Reasonable administrative costs</p> <p>13—No similar provision</p> <p>14—No similar provision</p> <p>15—No similar provision</p> <p>16—Payment of local share of related federal grant-in-aid programs (e.g. airports, mass-transit, schools, libraries, highways)</p> <p>17—Development of a comprehensive plan and development of policy-planning-management capacity of the recipient</p>	<p>1—(a), (b), (c), (d), and (e) the same</p> <p>2—Disposition—similar language</p> <p>3—Clearance, demolition, removal, and rehabilitation, including rehabilitation financing of privately-owned properties</p> <p>4—Providing public works and facilities</p> <p>5—No similar provision</p> <p>6—Relocation payments and assistance</p> <p>7—Elimination, by code enforcement and other means, of harmful physical conditions constituting a danger to public health and safety</p> <p>8—No similar provision</p> <p>9—No similar provision</p> <p>10—Included under item 3, above</p> <p>11—Community services necessary to achieve community development objectives</p> <p>12—No similar provision</p> <p>13—No similar provision</p> <p>14—No similar provision</p> <p>15—No similar provision</p> <p>16—Funds may be used as nonfederal share under any federal program providing assistance for community development activities</p> <p>17—No similar provision</p>
<i>Type of Grant—Local Share Requirement</i>	90 percent of the net program costs, exclusive of interim financing activities (which would use loans), and rehabilitation grants and relocation assistance payments where the federal share would be 100 percent.	100 percent federal grant	100 percent federal grant. (Express prohibition against subsequent requirement of local share by HUD or by a state.)

The 10 percent local share requirement could be in the form of cash grants, the cash value of donated property, or public improvements or services otherwise eligible. This would not include noneligible public facilities (e.g., schools, libraries) as local grants-in-aid.

*Grant Allocation and Distribution*

While a community would be required to submit an annual application for assistance, the bill provides for an allocation and distribution formula to establish basic grant entitlements for certain localities.

1—*Allocation to Metropolitan Areas:* 75 percent of the grant authority would be allocated to metropolitan areas (usually SMSAs) according to a formula taking into account the metropolitan area's ratios of population, poverty (counted twice), housing overcrowding, and past program experience (the proportion of funds received over the past five years in programs consolidated).

2—*Allocation within Metropolitan Areas—Metropolitan Cities:* (a) each metropolitan city (center cities and cities of 50,000 or above) would receive a *basic grant entitlement* based on a formula using the same criteria as above, comparing these factors within the city to those in the metropolitan area; (b) the Secretary would also determine a *hold-harmless* level for each metropolitan city equal to: (1) the sum of the annual average of grants and loans received during the five fiscal years preceding enactment for the programs consolidated, except NDP grants and (2) the average annual grants made under the NDP program; (c) the metropolitan city would be eligible to grants at least equal to the greater of its basic grant entitlement or its hold-harmless level; (d) *phase-in:* in the case of a metropolitan city whose basic grant entitlement exceeds its hold-harmless level by over 135 percent, the formula shall be phased in over a three-year period.

3—*Allocation within Metropolitan Areas—Nonmetropolitan Cities:* (a) any funds remaining within a metropolitan area after distribution to metropolitan cities shall be available to other communities (including counties) within that metropolitan area. If any funds remain unused within the metropolitan area, they may be used in other metropolitan areas; (b) any nonmetropolitan community or county shall be entitled to an annual grant equal to its hold-harmless amount (computed in the same fashion as outlined above if, during the five preceding years, one or more urban renewal projects or an NDP were being carried out); (c) if there are insufficient funds within the metropolitan allocation to fulfill this hold-harmless commitment, the Secretary can use a portion of the 25 percent discretionary fund to hold these communities harmless, but not to fund other nonheld-harmless communities within SMSAs.

4—*Allocation to Communities Outside of Metropolitan Areas:* (a) any community or county

The House bill is quite similar to the Senate bill; there are a few differences in the approach.

1—*Allocation within Metropolitan Areas—*cent of the grant authority would be allocated as in the Senate bill except that the poverty ratio would be regionalized, while the Senate would compare local poverty to national poverty levels. Poverty would also be double counted.

2—*Allocation within Metropolitan Areas—Metropolitan Cities:* Very similar to Senate approach—*Differences:* (a) hold-harmless would also include the annualized Model City grant but only for three years—fiscal years 1976-78; (b) *phase-in:* the difference between 135 percent of the hold-harmless and the formula would be phased in over three years under the House bill.

3—*Allocation within Metropolitan Areas—Nonmetropolitan Cities—*Differences from Senate approach: (a) hold-harmless would apply only for a limited time. To be eligible for a hold-harmless entitlement in any given year, the community must have had an operating urban renewal, NDP, or Model Cities program during the five years preceding that year. Thus, at the end of five years, no nonmetropolitan city would be eligible for hold-harmless grants; (b) funds not used within one metropolitan area would be reprogrammed and made available for use within other metropolitan areas; (c) after metropolitan cities and hold-harmless cities had been funded, the Secretary would give priority to (1) urban counties, (2) communities in accord with state development policies or priorities, (3) communities with combined community development programs.

4—*Allocation in Communities Outside of Metropolitan Areas:* 20 percent of the contract au-

1—*Metropolitan Cities and Urban Counties:* 65 percent of appropriated funds would be allocated directly to metropolitan cities and urban counties and they would receive the higher of either a formula entitlement (subject to a phase-in period) or a hold-harmless amount (subject to a phase-out process).

2—*Allocation within Metropolitan Areas—Metropolitan Cities:* metropolitan cities entitlements would be based on their average ratios of population, poverty (double counted), and housing overcrowding compared to all metropolitan America. No past performance criteria.

*Formula entitlement: urban counties—*(located within an SMSA with a population of at least 200,000 exclusive of the population of any metropolitan city located within it) their entitlement would be computed in the same fashion, except that data from metropolitan cities would be excluded.

*Phase-in of funds for metropolitan cities and urban counties—*cities and urban counties that receive more funds under the entitlement formula than they currently receive (as determined by their hold-harmless amounts) would have their entitlement phased in. The entitlement for fiscal year '75 would equal the higher of one-third the entitlement or the hold-harmless amount; for fiscal year '76, it would equal the higher of two-thirds of the entitlement or the hold-harmless amount; for fiscal year '77, and subsequent years, the full entitlement.

*Hold-harmless for metropolitan cities and urban counties—*hold-harmless amounts would be computed by adding the following: (a) the aggregate of the annual average grants and loans for the consolidated programs made in the five fiscal years prior to July 1, 1972 (fiscal years 1968-1972), except NDP; (b) annual average neighborhood development program (NDP) computed by taking total grants prior to fiscal year 1973, divided by the number of months of program activity, and multiplying by 12; and (c) annual average Model City grant (excluding planned variation grants). This Model City hold-harmless figure would cover only the years still needed to complete a five-year action program, after which time it would be dropped from hold-harmless computation.

Excluded from hold-harmless computation are disaster assistance grants and the so-called "SI" urban renewal relocation amendments.

*Hold-harmless phase-out—*hold-harmless provisions would apply for only four years. In fiscal years 1975 and 1976, the full hold-harmless amount would apply if it exceeded the formula. In fiscal year 1977, the maximum a formula city or county could receive would equal the

ISSUES	SPARKMAN BILL	BARRETT/ASHLEY BILL	BETTER COMMUNITIES ACT
	<p>carrying out one or more renewal projects or an NDP within the past five years will be entitled to an annual grant at least equal to its hold-harmless amount (computed as above). Secretary will use the 25 percent discretionary fund to make such grants; (b) likewise, the discretionary fund can be used to fund applications from other communities outside metropolitan areas.</p>	<p>thority is earmarked for communities outside of metropolitan areas for use (a) to hold harmless communities with ongoing programs (defined and computed as above) and (b) to fund applications from other nonmetropolitan communities.</p>	<p>formula entitlement plus two-thirds the difference between the formula and the hold-harmless amount; in fiscal year 1978, the amount would be reduced to one-third the difference. There would be no hold-harmless after fiscal year 1978.</p> <p>3—<i>Allocation within Metropolitan Areas—Nonmetropolitan Cities—hold-harmless provisions</i>—cities, other than metropolitan cities, would be held-harmless if they were participating in the Model Cities program on June 30, 1974 or were carrying out a conventional urban renewal or NDP program during fiscal year 1968 or in any subsequent year. The hold-harmless figure would be computed as for metropolitan cities and urban counties. For fiscal years 1975 and 1976, the city would receive its full hold-harmless amount; this would be reduced to two-thirds in fiscal year 1977 and one-third in fiscal year 1978. There would be no hold-harmless funds for these communities beginning in fiscal year 1979.</p> <p>4—<i>Allocation to Communities Outside of Metropolitan Areas</i>—of the remaining appropriated funds, 90 percent would be allocated to states for community development purposes. A formula would be used to determine each state's allocation based on the population, poverty (double counted), and housing overcrowding within the metropolitan areas of that state (exclusive of metropolitan cities). At least half of the state's allocation amount attributed to each metropolitan area must be distributed within that metropolitan area. The other 50 percent can be distributed anywhere in the state.</p> <p>5—<i>HUD Discretionary Fund</i>—the remaining funds would form a HUD discretionary fund to assist any state or general local government.</p> <p>6—<i>Hold-harmless Recaptured Funds</i>—beginning in fiscal year '77, hold-harmless is phased out; funds from this source would be allocated: (a) 10 percent to the HUD discretionary fund; (b) 30 percent to metropolitan cities and urban counties; (c) 30 percent to states, available for distribution only within metropolitan areas; (d) 30 percent to states but with no geographic restrictions on their distribution.</p>
<i>Authorizations</i>	<p>Program would begin on July 1, 1974 (fiscal year '75). Two-year authorization of 5.9 billion dollars of contract authority, of which 2.7 billion dollars could be used first year, 3.2 billion second, subject to appropriations action.</p>	<p>Program would begin on July 1, 1975 (fiscal year '76). Three-year authorizations of 8.25 billion dollars: 2.5 billion dollars for FY '76; 2.75 billion dollars for FY '77; and 3 billion dollars for FY '78.</p>	<p>Program would begin on July 1, 1974 (fiscal year '75). Five-year "open-ended" authorization. The Administration has announced its intention to request annual appropriations of 2.3 billion dollars for FY '75.</p>
<i>Application Process</i>	<p>All community development grants are subject to an annual application and a determination by the Secretary that the community has (1) set forth a meaningful program to meet its urgent development needs and (2) carried out its contractual commitments pursuant to previous applications. Such an application process involves four parts:</p> <p>1—<i>A three-year outline of community develop-</i></p>	<p>An application is required for a three-year program and the Secretary determines from application that the locality has:</p> <p>1—Identified community needs and objectives consistent with local and areawide development plans and national urban growth policies.</p> <p>2—Described the general activities, their estimated cost and general location, with assur-</p>	<p>No application, as such, would be required. Rather, each recipient state or general local government would be required to submit a statement of community development objectives and the projected use of the upcoming year's funds. The statement would also have to reflect the degree to which the recipient's CD activities will relate to any state and areawide programs and activities for CD. Each recipient</p>



	<p>ment needs and objectives and actions to: (a) meet the housing needs of the community (including relocation and replacement housing and housing for workers in connection with new government facilities), especially for low- and moderate-income families; (b) prevent and eliminate slums and blight and upgrade neighborhoods through renewal, code enforcement, and other programs; (c) improve community development program.</p> <p>2—A description of activities to be undertaken in the next two years, their estimated cost, general location, and any requirements for federally-assisted housing and rehabilitation loans to meet the housing objectives of the community development program.</p> <p>3—Certifications by the applicant that (a) the community development program is consistent with local and areawide comprehensive development plans and national growth policies; (b) it has held public hearings prior to the acquisition of any private land; and (c) it has afforded adequate citizen participation in the preparation of the application and the planning and execution of activities.</p> <p>4—A performance report describing activities carried out in the previous year, their cost, and an assessment of the results.</p> <p><i>Small town waiver:</i> The bill provides that smaller communities can have all or a portion of these application requirements waived if (1) the application is from a locality of 25,000 or less located outside an SMSA or outside the urbanized portion of an SMSA; (2) the program consists of a single development activity other than a renewal project; and (3) it is the first assisted activity under this program.</p>	<p>ances that all activities will conform with civil rights statutes.</p> <p>3—Included a program to provide an adequate supply of housing in a suitable living environment for low- and moderate-income families residing or employed in the locality.</p> <p>4—Provided citizens affected by the proposed activities with information about the program, held public hearings to obtain their views, and provided an opportunity to participate in the program preparation.</p> <p>Three additional requirements are added for applications from metropolitan cities:</p> <p>1—A realistic three-year schedule of activities designating local resources to be used to meet the community's needs.</p> <p>2—Periodic reexamination of program methods and reevaluation of objectives in light of the consequences of the program.</p> <p>3—A comprehensive program to (a) eliminate or prevent slums, blight, or deterioration and (b) develop properly planned public facilities and improvements.</p> <p>All applications will be subject to the A-95 review process.</p> <p>The Secretary shall review at least annually the performance of recipients and evaluate their capacity to carry out the program. The annual grant can be adjusted, depending on the findings of this performance review.</p>	<p>would be required to publish its proposed statement for public review 60 days prior to submitting its final statement to HUD. A copy of the final statement would have to be made available to the public, to the governor (in the case of a general purpose local government), and to HUD. The recipient would also have to certify that the above procedure had been followed and that the recipient is in compliance with all other provisions of the act.</p> <p>Within 60 days after the close of each fiscal year in which a recipient receives funds, the recipient shall make public and send to HUD a report concerning the CD projects or activities paid for or expected to be paid for in whole or in part with the past year's CD funds. This report must include an assessment of such activities in relation to the recipient's CD objectives.</p>
Loan Provisions	HUD would be authorized to make loans to provide financing for planning and operating activities pending receipt by the locality of CD block grant funds and to provide interim financing for certain public facilities.	HUD would be authorized to make loans to states and localities to finance real property acquisition activities only.	The bill would provide no federal loan assistance. However, the bill states that general local governments would not be prohibited from using whatever local financing mechanisms are available.
Completion of Existing Urban Renewal Project	No similar provisions Under a separate provision of S3248, new amendatories to existing urban renewal projects could continue to be funded and a separate 300 million dollar authorization was provided for the purpose. The provision is not contained in S1744.	No similar provisions	Notwithstanding existing statute, HUD may terminate any renewal project as soon as practicable by effecting financial closeout as if the project had been fully completed; if such closeout does not result in the full repayment of any outstanding temporary loans, HUD authorized to condition distribution of CD funds to repay loans.
Applicability for Uniform Relocation Assistance Act of 1970	Extends coverage of uniform relocation assistance act to persons who discontinue business or move from their dwellings as a direct result of CD block grant activity.	No similar provisions	Extends coverage of uniform relocation assistance act to persons who discontinue business or move from their dwelling as a direct result of CD activities, 25 percent or more of the cost paid for with funds under this bill.
Linkage to Housing Program	Linkage provided to all subsidized housing programs and the Section 312 loan program by directing the Secretary to reserve housing funds "to the extent he deems it to be necessary and feasible" to meet the housing requirements of the community development program.	Linkage through housing block grant system for metropolitan cities. Housing portion of community development application would be related to the housing block grant. Nonmetropolitan cities would be eligible for housing block grant to implement housing portion of CD through discretionary funds.	No provision

## B. Housing

Besides legislative proposals for community development, Congress is also considering new legislation for housing. The three major bills being considered are:

the Administration's bill,  
(S. 2507 and H.R. 10688);

the Senate bill (Sparkman),  
(S. 2182); and

the House bill (Barrett-Ashley),  
(H.R. 10036, Part B).

These legislative proposals are briefly described below.

\* \* \* \* \*

In January 1973, the Administration placed an 18-month moratorium on the categorical programs for subsidized housing and, in March, announced the beginning of a six-month study to evaluate Federal housing policy.

In September, the Administration submitted its housing policy recommendations and proposed legislation to Congress. The basis of the Administration's legislative proposal includes the assertions that

in most areas of the country, there is a substantial stock of existing safe and sanitary housing suitable for use by families of low and moderate income; and

the most promising way to enable all families to obtain decent housing at an acceptable cost appears to be direct cash assistance.

The proposed legislation (S. 2507 and H.R. 10688) would:

- 1) no longer provide for expanding the supply of standard housing for low and moderate income families through new construction and rehabilitation,
- 2) provide for testing and experimenting on the idea of direct cash assistance payments to low and moderate income families who would rely on the existing supply of standard housing,

- 3) provide for developing a method of determining whether a policy of direct cash assistance can be put into practical operation,
- 4) provide that the results of such experimentation and the findings as to its practicality as a general program be reported to Congress within 18 months of the date that the bill is passed.

In the interim, major reliance would be placed upon the Section 23 program... the leasing of standard housing from private owners by a public agency for use by low income families.

\* \* \* \* \*

The bill introduced by Senator Sparkman (S. 2182) would retain and improve categorical programs for housing. Basically, the bill proposes to simplify, recodify and reform the many diverse housing programs presently in existence.

The bill provides for three basic mortgage-insurance programs for regular-market private housing. These are:

Section 301 for property improvement, mobile homes, and preservation of historical structures;

Section 401 for one-to four-family residential structures; and

Section 501 for multifamily residential structures.

With regard to private housing for low and moderate income families, the Sparkman bill would provide assistance under the following sections:

Section 402 this section, which replaces the existing Section 235, is for one-to-four-family residential structures; the assistance is provided on the basis of (1) a supplement to a family's income or (2) an interest subsidy.

Section 502 this section, which replaces the existing Section 236, is for multifamily residential structures; the assistance is provided in terms of (1) an interest subsidy for all units to meet the needs of moderate income families, (2) a rent supplement for about 20% of the units to meet the needs of low income families, and (3) an operating subsidy.



None of the funds for Sections 402 or 502 may be allocated unless HUD is satisfied that the City has prepared or is preparing a three-year housing program.

With regard to public housing for low income families, the Sparkman bill provides for the continued funding of the existing programs.

The Section 312 low-interest loan program for housing rehabilitation would also continue to exist as part of the Housing Act of 1964.

Finally, under Section 2A, the bill would provide for Federal guarantees of local housing bonds, not exempt from Federal taxation, but with Federal funds available for payment of up to one-third of the interest charges.

The features of this proposed housing legislation were included in the omnibus bill on community development and housing (S. 3066) as approved by the Senate on March 11.

\* \* \* \* \*

The third major bill regarding housing (H.R. 10036, Part B) was introduced by Congressmen Barrett and Ashley. As with Sparkman's housing bill proposed in the Senate, this bill provides three basic mortgage-insurance programs for regular-market housing.

The outstanding feature of the Barrett-Ashley bill, as originally introduced, is the proposal to consolidate existing categorical programs for assisted housing by funding similar activities under a block-grant. In effect, the block-grants would substitute for the following existing categorical programs for assisted rehabilitation and for low and moderate income housing:

Section 312 rehabilitation loans,  
Section 115 rehabilitation grants,  
Section 235 home ownership,  
Section 236 multifamily development,  
Section 101 rent supplements, and  
public housing.

Eligible activities that a City may undertake with block-grants for assisted housing would include:

1. rehabilitation grants for owner-occupied single-family dwellings;
2. rehabilitation loans for privately-owned residential property;
3. loans for the purchase, rehabilitation and re-sale of one-to three-family residential property;

4. grants to reduce mortgage payments for owner-occupied residential structures with one to three dwelling units;
5. grants to reduce mortgage payments or rents in multi-family developments;
6. loans for the development of multifamily housing;
7. grants to reduce rents in housing leased by a public agency;
8. funds for the modernization of previously assisted multifamily housing; and
9. "seed money" loans to non-profit sponsors to cover pre-construction costs.

As a transition between the existing categorical assistance programs for home-ownership (Section 235) and for multifamily developments (Section 236), the Barrett-Ashley bill would provide funds for the continuation of such categorical programs (to be known as Section 402 and 502) for one year after the block-grant system begins.

The allocation of housing assistance block-grants to metropolitan areas and then to cities would be on the basis of a formula reflecting population, poverty, and overcrowded housing. However, to be eligible for receiving such funds, each City would need to have a housing assistance program which was related to the local community development program and would have to apply for the block-grant.

While no new public housing projects or Section 23 leasing would be provided under the Housing Act of 1937, the proposed bill would provide additional funds for modernizing existing public housing and would continue the provision of operating subsidies.

As with the Senate bill, Barrett-Ashley's proposed bill provides (Section 125) for the Federal guarantee of local housing bonds, exempt from Federal taxation for developments by public agencies but non-exempt for private developments, with Federal grants for subsidy of 30% of the interest charges.

\* \* \* \* \*

The following six pages present a more detailed comparison of the major legislative proposals for housing.

# REFORM OF EXISTING HOUSING ASSISTANCE PROGRAMS: COMPARATIVE ANALYSIS OF MAJOR PENDING LEGISLATION

*Prepared by NAHRO Policy and Research Division*

Issue	Existing Law	Senate Bill: S2182	House Bill: HR10036	Administration Housing Bill- S2507, HR10688
<i>New Authorization</i>	<p>Section 235 (402) Homeownership Section 236 (502) Multi-family Public Housing:</p> <p>Rent Supplement: Consolidated under Section 502.</p>	<p>200 million dollars on 7/1/74 300 million dollars on 7/1/74 140 million dollars on 7/1/73 250 million dollars on 7/1/74 250 million dollars on 7/1/75</p>	<p>150 million dollars on 7/1/74 200 million dollars on 7/1/74 140 million dollars on 7/1/73</p>	<p>140 million dollars on 7/1/73</p> <p>No new public housing contracts after 12/31/75.</p>
<i>Mortgage and Construction Cost Limits</i>	<p>Section 235: Maximum mortgage amount cannot exceed \$18,000 for a single-family house, with up to \$3000 additional in high cost areas. Section 236: Maximum mortgage amount for any development is 12.5 million dollars; individual unit ceiling based on sliding scale, three bed- room, elevator unit maximum of \$23,000; up to 45 percent more in high cost areas.</p>	<p>Sections 402 and 502: Prototype costs based on estimate of construction costs of new dwelling units in the areas and the Secretary's estimate of reasonable allowances for cost of land and site improvements. Mortgage amount shall not exceed prototype cost by more than 20 percent.</p>	<p>Same as in Senate bill for Sections 402 and 502, except that mortgage amounts shall not exceed 10 percent of prototype.</p>	<p>Sections 235 and 236 are deleted from the statute.</p>
	<p>Public Housing: Prototype construc- tion costs determined by HUD in each local market area at least an- nually. Maximum construction cost can be 110 percent of prototype cost, excluding land, demolition, and non- dwelling facilities.</p>	<p>Same as existing law.</p>	<p>Prototype ceiling of 110 percent based on total development cost, including land and demolition, excluding only nondwelling facilities and relocation payments.</p>	<p>Same as HR10036.</p>
<i>Income Limits</i>	<p>Sections 235 and 236: usually 135 percent of public housing limits; two- year recertification of income.</p>	<p>Sections 402 and 502: up to 90 per- cent of the median income in the area, as determined by the Secretary.</p>	<p>Sections 402 and 502 up to 80 per- cent of the median income in the area, as determined by the Secretary.</p>	<p>Sections 235 and 236 deleted from the statute.</p>
	<p>Public Housing: Families in the low- est income group who cannot afford to pay for unassisted private housing; 20 percent of admission income must be at least 80 percent of rentals of unassisted housing; continued occu- pancy at 125 percent of admission limits; income recertification for fam- ilies at least annually and, for elderly, every two years.</p>	<p>Public Housing: Same as existing law, except no percentage gap be- tween income and rents in unassisted private housing. Low-income families means families of "low income."</p>	<p>Public Housing: Same as S2182, ex- cept low-income families are defined as families of "lowest" income.</p>	<p>Public Housing: Same as HR10036.</p>
<i>Definition of Income</i>	<p>Sections 235 and 236: 95 percent of all gross earnings of family members over 21, with deduction of \$300 per minor.</p>	<p>Sections 402 and 502: Same as defini- tion for public housing used in com- puting 25 percent rent ceiling, except secondary wage earner must be the spouse of the head of the household; excludes income from child placement care.</p>	<p>Sections 402 and 502: Tenant's in- come, as determined by the Secretary.</p>	<p>Sections 235 and 236 deleted from the statute.</p>



Issue	Existing Law	Senate Bill: S2182	House Bill: HR10036	Administration Housing Bill- S2507, HR10688
	<p>Public Housing: General: LHA makes deductions for minors and for certain expenses, subject to HUD approval.</p> <p>For computing rent under 25 percent rent ceiling: gross income of all over 18 years, excluding nonrecurring income, income of fulltime students, \$300 for each dependent and secondary wage earner, 5 percent of gross income, and 10 percent in case of elderly, and extraordinary medical expense.</p>	Public Housing: Same as for Sections 402 and 502 above, except 5 percent and 10 percent deductions from gross income are eliminated.	Public Housing: Same as S2182, except no deduction for child placement care, and includes 5 percent and 10 percent deductions.	Public Housing: Same as S2182, except no deductions for child placement care or "other" extraordinary expenses.
<i>Rental Occupancy by Income Levels</i>	Sections 235 and 236: No limits.	Sections 402 and 502: No limits.	Sections 402 and 502: Same as S2182.	Sections 235 and 236 deleted from statute.
<i>a. Continued Occupancy Limits</i>	Public Housing: Requires continued occupancy limits, with some exception for short-term situation.	Public Housing: Eliminates continued occupancy limits.	Public Housing: Same as S2182.	No limits.
<i>b. Occupancy by Lowest Income</i>	Section 236: Rent supplements can be used in conjunction with 1 percent interest rates on 20 to 40 percent of units.	<p>Section 502: With respect to 20 percent of dwelling units in any project, Secretary may make additional payments to reduce rents on tenants' units to afford basic rent within 25 percent of income.</p> <p>Not less than 50 percent of these assisted units must be for very low-income families—those whose incomes do not exceed 50 percent of median income for the area.</p>	<p>Section 502: For nonelderly projects, at least one-half of the units at initial rent-up must be for those families where basic rental charges do not exceed 20 percent of their incomes.</p> <p>Secretary may make additional payments to cover families not covered above but these payments cannot exceed an amount which would reduce the aggregate fair market rental charges to 80 percent (65 percent for elderly) of the aggregate basic rental charge.</p>	Sections 235 and 236 deleted from statute.
	Public Housing: Serves lowest income group.	Public Housing: At least 20 percent of occupancy in any new public housing project must be by very low-income families, as defined by the Secretary.	Public Housing: Operating subsidy made contingent on establishment of tenant eligibility criteria which will assure a broad range of incomes.	Public Housing: No provision on cross-section.
<i>Rental Charges</i>	Section 236: Rent-income ratio of 25 percent but a basic rent based on a 1 percent mortgage.	Section 502: Basic rentals or such greater amount as represents 25 percent of income; minimum rent equal to utilities.	Section 502: Not less than 20 percent of each tenant's income, not exceeding fair market rent.	Sections 235 and 236 deleted from statute.
	Public Housing: Maximum rent-income ratio of 25 percent, except ratios vary by household size.	Public Housing: Maximum rent-income ratio of 25 percent but minimum rent at 40 percent of operating cost.	Public Housing: Maximum rent-income ratio of 25 percent but minimum rent at 20 percent of operating cost.	Public Housing: Same as S2182, except operating cost calculation (for 40 percent) based on both project-supplied and tenant-supplied utilities.
	Public Housing—Tenants receiving welfare: Tenants receiving welfare assistance pay rents on same basis as other tenants; welfare agencies cannot reduce benefits if LHA reduces rents.	Tenants receiving welfare assistance shall not exceed the greater of 40 percent of operating cost or the maximum amount of welfare assistance they are entitled to receive for housing.	Tenants receiving welfare assistance pay rents on the same basis as non-welfare tenants.	<p>"The relationship between housing programs and welfare programs is particularly critical. We must carefully consider the ways in which our housing programs will relate to other programs which also assist low-income persons." (President's message of September 19, 1973.)</p> <p>No welfare provision in bill.</p>

	Public Housing: No minimum rent-income ratio requirement.	Public Housing: To receive operating subsidy, the aggregate rentals in a local housing authority program must be at least 20 percent of aggregate incomes (an average rent-income ratio of 20 percent).	Public Housing: Same as S2182.	Public Housing: Same as S2182 and HR10036.
<i>Operating Subsidy</i>	Section 236: No provision for operating subsidy.	Section 502: Secretary may make additional assistance payments after initial rent-up not in excess of (a) the amount by which the cost of utilities, maintenance, and local property taxes exceed the initial operating expense level or (b) the amount required to maintain basic rent levels not in excess of 30 percent of income of any tenant.	Section 502: No operating subsidy.	Sections 235 and 236 deleted from statute.
	Public Housing: Operating subsidy available to assist local housing authorities to achieve and maintain adequate operating services and reserve funds. Allocation of operating subsidy is currently based on November 1972 HUD formula. Level for fiscal year 1974 is 280 million dollars.	Public Housing: Annual ceiling of 350 million dollars. Retains statutory language on operating services and reserve funds. Includes new language on calculation of operating subsidy.	Public Housing: Annual ceiling of 300 million dollars. Operating subsidy is conditional on the basis of establishment of (1) tenant eligibility criteria to assure a broad range of incomes and to avoid concentrations of very low-income and socially-deprived problem families; (2) satisfactory procedures to assure the prompt payment and collection of rents and for prompt processing of evictions in the case of nonpayment of rent; (3) effective tenant/management relationships which assure tenant security and project maintenance; and (4) a viable homeownership opportunity program by the LHA. Deletes language on "reserve funds."	Public Housing: "There are indications that even with improved management and a more realistic approach to rents, current federal subsidies may need to be adjusted to provide for continued operation and maintenance of existing projects." (President's message of September 19, 1973.)  Annual maximum ceiling of \$(no figure). Language on maintaining adequate operating services and reserve funds deleted.
<i>Contracts for Management</i>		The Secretary is authorized to enter into contracts with state or local agencies approved by him to provide for the monitoring and supervision by such agencies of the management by private sponsors of projects assisted under Section 502. Such contracts shall require that such agencies promptly report to the Secretary any deficiencies in the management of such projects in order to enable the Secretary to take corrective action at the earliest possible time.	No provision.	No provision.

# COMPARISON OF HOUSING BLOCK GRANT PROVISIONS IN PENDING LEGISLATION

Prepared by NAHRO Policy and Research Division

PROVISION	Senate Bill: S2182, Housing Act of 1973, introduced on behalf of Senator John Sparkman (D-Alabama), July 14, 1973.	House Bill: HR10036, Housing and Urban Development Act of 1973, introduced by Congressmen William A. Barrett (D-Pennsylvania) and Thomas L. Ashley (D-Ohio) on September 5, 1973.
<i>Allocation of Funds</i>	<p>Combines all sums appropriated for homeownership and multi-family rental assistance payments (Sections 402 and 502), for the purpose of allocation <i>only</i>, in the following manner:</p> <p><i>1—Allocation to Metropolitan Areas</i> 60 percent of the available authority would be allocated to metropolitan areas (SMSAs) according to a formula taking into account the metropolitan areas' ratios of population, poverty (counted twice), and housing overcrowding.</p> <p><i>2—Allocation Within Metropolitan Areas</i> Each metropolitan city (center cities and cities of 50,000 or above) would be entitled to receive maximum subsidy funds using the same criteria as above comparing the extent of these factors within the city to those of the metropolitan area. There is no hold-harmless provision. One-half of the amount allocated to a metropolitan city is available for use by that city or its designated public agency for use in implementing its housing plan or, where no plan exists, in accordance with terms and conditions outlined by the HUD Secretary. The remaining half of a metropolitan city's allocation is available to eligible sponsors subject to the same terms and conditions applicable to the city (conformity with and support of a housing plan).</p> <p><i>3—Allocation Within Metropolitan Areas—Nonmetropolitan Cities</i> Any funds remaining within a metropolitan area after the distribution according to the formula outlined above shall be made available, on the basis of need, to other communities (including counties) within that metropolitan area. If any funds remain unused within the metropolitan area, they may be used in other metropolitan areas.</p> <p><i>4—Allocation to Nonmetropolitan Areas</i> 30 percent of the available authority is available for (a) <i>projects</i> not located in metropolitan areas and (b) for HUD housing research and demonstration projects. The remaining 10 percent of available authority is to be allocated by HUD to state and regional bodies that have three-year housing plans either approved or in preparation, for use primarily in nonmetropolitan areas. This allocation merely reserves subsidy funds for certain geographical areas and the reform provisions of Sections 402 and 502 continue to apply with respect to the use and requirements of these funds. In fiscal year 1975, 500 million dollars are authorized for the block grant, subject to appropriation action. The Secretary of HUD is required to report to the Congress by March of each year, beginning in 1975, on the effectiveness of this allocation scheme.</p>	<p>Combines existing housing subsidy and rehabilitation programs into a single housing assistance block grant. The block grant replaces the following programs: Section 235 homeownership assistance, Section 236 rental and cooperative housing assistance, rent supplements, public housing, Section 312 rehabilitation loans, and Section 115 rehabilitation grants. The block grant is allocated in the following manner:</p> <p><i>1—Allocation to Metropolitan Areas</i> 75 percent of available authority approved in appropriation acts is <i>allocated</i> to metropolitan areas (SMSAs) annually, according to a formula identical to the Senate bill.</p> <p><i>2—Allocation Within Metropolitan Areas</i> To metropolitan cities in a manner similar to the Senate bill.</p> <p><i>3—Allocation Within Metropolitan Areas—Nonmetropolitan Cities</i> Any unused SMSA allocation is available to <i>states</i> and other units of general local government for use in that metropolitan area. The funds allocated for use within a metropolitan area, but not distributed, are available for use in any metropolitan area. Reallocation of this nature must be made by the Secretary within 60 days of the beginning of the fiscal year. There is no hold-harmless provision.</p> <p><i>4—Allocation to Nonmetropolitan Areas</i> 25 percent of the available authority is allocated by the HUD Secretary at his discretion (according to need factors, including lack of plumbing facilities) for use outside of metropolitan areas. A priority in the allocation of these funds is given to: 1—Urban counties; 2—Units of general local government whose programs are in accord with state development policies and priorities; 3—Two or more local government units in combination to conduct a single program. As opposed to the Senate bill, the housing assistance block grant in the House bill <i>replaces</i> existing housing subsidy and rehabilitation programs and directly allocates these funds for use by eligible recipients. This program is scheduled to begin on July 1, 1975 (fiscal year 1976) and 2.25 billion dollars are available, subject to approval in appropriations acts, for the first three years of the program (fiscal year 1976—400 million dollars; fiscal year 1977—750 million dollars; fiscal year 1978—1.1 billion dollars). HUD is instructed to submit authorization requests for fiscal years 1979-1981 to the Congress by February 1, 1977.</p>



	Senate Bill: S2182	House Bill: HR10036
<i>Application Requirements</i>	<p>None of the block grant funds shall be made available to any state or regional body or unit of general local government unless the Secretary has received and approved a three-year housing plan submitted by that body or been given reasonable assurance that such a plan is under preparation. Content of such a plan is not detailed in S2182, but S1744 requires a housing component as part of a community development program including meeting the housing needs of the community, including relocation and replacement housing for workers in connection with new government facilities especially for low- and moderate-income families.</p>	<p>The Secretary will not approve the allocation of any grant unless the eligible recipient has an approved application detailing:</p> <ol style="list-style-type: none"> <li>1—The condition of the existing housing stock in the community and the housing needs of low- and moderate-income persons residing, employed, or likely to reside in the community;</li> <li>2—A housing program that takes into account the needs of <i>all</i> income groups and those displaced by government action and that advocates a balanced use of new and existing housing, where appropriate;</li> <li>3—The type of assistance to be provided, estimated annual and long-range costs, the general location, and financing methods of projects;</li> <li>4—How the housing assistance to be provided will further the objectives of local community development activities;</li> <li>5—Compliance with appropriate civil rights legislation and facilitation of adequate citizen participation in the development of the housing plan;</li> <li>6—Activities designed to facilitate freedom of choice in housing opportunities and to avoid undue concentration of assisted persons;</li> <li>7—The availability of public facilities and services to serve housing to be assisted; and</li> <li>8—The commitment of state and local resources available in carrying out the program.</li> </ol> <p>The Secretary shall evaluate a recipient's application annually and has the authority to make appropriate adjustments. In most cases, the Secretary will have to approve or disapprove an application within 60 days of the beginning of the fiscal year for which grants are made.</p>
<i>Eligible Activities</i>	<p>Housing assistance block grants cover housing development and housing rehabilitation activities eligible under the Section 402 homeownership assistance and Section 502 multi-family rental assistance housing programs.</p>	<p>The following are eligible uses of the housing assistance block grant:</p> <ol style="list-style-type: none"> <li>1—Rehabilitation grants for single-family, owner-occupied dwellings, to allow such property to conform to applicable code requirements;</li> <li>2—Rehabilitation loans (including refinancing) to finance privately-owned residential property;</li> <li>3—Loans to finance the purchase, rehabilitation, or resale of one-to-three family dwellings;</li> <li>4—Periodic payments to reduce mortgage payments by up to 50 percent on one-to-three family owner-occupied homes;</li> <li>5—Periodic payments to reduce rentals (and occupancy charges to members of cooperatives) in public and private projects;</li> <li>6—Loans to finance the construction or purchase (with or without rehabilitation) of rental or cooperative projects;</li> <li>7—Grants to reduce rentals in dwelling units leased by a public body or agency;</li> <li>8—Modernization of rental or cooperative projects previously assisted by block grant funds;</li> <li>9—Seed money to nonprofit organizations; and</li> <li>10—Relocation payments and assistance, counseling, and tenant services, if not undertaken as part of a community development program.</li> </ol> <p>Block grant funds used to finance activities 1, 2, or 3 above must be in connection with neighborhood rehabilitation programs. The Secretary, to the extent practical, shall encourage the utilization of private enterprise in the implementation of a community's housing assistance program. In addition, the Secretary may reserve housing assistance funds for use in approved new community developments.</p>

	Senate Bill: S2182	House Bill: HR10036
<i>Eligible Housing Sponsors and Financing Instruments</i>	<p>The Secretary is authorized to guarantee <i>taxable</i> mortgage bonds issued by or on behalf of local housing agencies or other state or local public agencies approved by the Secretary, meeting the requirements of Section 502. The Secretary is also authorized to make grants to any local housing agency or other state or local agency, the bonds of which are guaranteed in amounts not to exceed 33⅓ percent of the interest paid on such obligation.</p> <p>The Secretary is authorized to insure mortgages of housing sponsors currently eligible under Sections 235 and 236 housing programs, under the same conditions.</p>	<p>The Secretary is authorized to guarantee <i>tax-exempt</i> obligations of states, units of general local government, or agencies thereof, under such terms and conditions, and in such a manner as may be determined by the Secretary. Obligations issued by such agencies which are <i>taxable</i> may also be guaranteed and the Secretary is authorized to make grants in an amount equal to 30 percent of the interest paid on such obligations.</p> <p>The Secretary is authorized to insure mortgages of housing sponsors currently eligible under Sections 235 and 236 housing programs, under the same conditions.</p>
<i>Status of Local Housing Authorities and Sections 402 and 502 Sponsors</i>	<p>Local housing authorities would be authorized to issue <i>taxable</i> bonds for new public housing development and receive annual contributions under the United States Housing Act of 1937. They could also be designated by general purpose local government to receive block grant housing funds to develop housing under Sections 402 and 502, issuing taxable mortgage bonds for that purpose. Eligible housing sponsors under the Sections 402 and 502 housing programs are eligible only to procure funding under the block grant for housing. There is no separate authorization for Sections 402 and 502, as there is for public housing.</p>	<p>Local housing authorities are eligible to participate under the housing block grant assistance program, if funds are allocated to them by the general purpose local government. Unlike the Senate bill, they would no longer be able to undertake any new housing activity under the United States Housing Act of 1937. Eligible housing sponsors under the Sections 402 and 502 housing programs are eligible to participate under the housing block grant assistance programs if funds are allocated to them by the general purpose local government. In addition, they can also develop housing under authorization provided under Sections 402 and 502, at the discretion of the Secretary, in areas not being served by the housing block grant.</p>

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National policy and Federal legislation regarding assistance for housing should reflect the following principles and features:

1. Although direct cash assistance should not be considered as an adequate substitute for a broad range of assistance for housing rehabilitation by property owners and for the production and rehabilitation of housing for low and moderate income residents, it should be tested as a possible additional program.
2. Funds for assisted housing should be made available on the basis of improved categories rather than through block-grants. Unlike community development funds, which flow to local government, housing assistance funds are used mostly by private sponsors and developers. Block-grants would require the establishment of local housing finance agencies, each with their own set of standards and procedures. Such a new and extensive local administration of housing finance would be in addition to the need for Federal administration of housing assistance standards and requirements and would represent additional red tape for housing development. Maintaining a categorical program administered by HUD would assure a consistent application of standards relating to national goals and objectives. The development of housing requires longer-term financial commitments; a three-year block-grant system would provide inadequate assurances. In light of these considerations, a categorical system for housing assistance, which has been tried and tested, should not be replaced with the vast unknowns of a block-grant system.
3. As a prerequisite to the use of Federal funds for housing assistance, a City should be required to have a local housing program which is directly related to a City's community development program. All grants and loans for assisted housing should be in conformity with and supportive of the City's housing program.
4. Until new legislation is passed for both community development and housing assistance, the existing categorical programs should be funded at current levels.



### C. Related Actions in Congress

During the last two years, Federal funds appropriated by Congress for various categorical programs have been impounded by the President. In addition, a moratorium has been established regarding the funding of socially-oriented housing. And, in his budget message for this fiscal year (July 1973 through June 1974), the President has proposed that the community development programs be terminated, that essentially no funds be authorized by Congress, and that such programs could be funded under the Administration's proposed legislation for special revenue sharing. The Administration has also proposed that, for the immediate future, housing assistance programs be replaced with experiments in direct cash assistance. As described earlier, alternative legislation has been proposed in Congress for the funding of both community development and housing. Thus, all of the present programs are experiencing severe cut-backs this year and face great uncertainty of when and how new Federal legislation will restore normal funding levels.

In response to community development funding problems for this year (FY 1974), both the Senate and the House approved the authorization and appropriation of funds. Differences between their actions were resolved on July 27 by a joint conference committee.

Tabulated below for each of the program categories are (1) the funds appropriated for FY 1973, (2) the Administration's proposal for FY 1974, and (3) the amounts approved by Congress:

Categorical Programs	\$ Millions				
	FY 1973	Admin- istration	FY 1974 Proposals		
			House	Senate	Conference
Urban Renewal (FACE and redevelopment)	1,450.0	137.5	600.0	600.0	600.0
Neigh. Facilities	40.0	0	0	0	0
Open Space	100.0	0	70.0	0	25.0
Model Cities	500.0	0	150.0	150.0	150.0
T o t a l s	2,090.0	137.5*	820.0	750.0	775.0

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\* In his July 16 testimony before the Senate Subcommittee on Housing and Urban Affairs, HUD Secretary James T. Lynn reported that, in his June 21 letter to the Senate Appropriations Committee, he "estimated these needs as in the range of \$155 and \$185 million more for Urban Renewal and \$50 to \$75 million for Model Cities programs."

The Conference figures have been ratified by both the House and the Senate. On October 29, these appropriations were approved by the President. If the Administration will impound any of these funds remains to be seen.

The Senate's original approval included language that no funds were to be impounded in order that a reasonable transition could occur from the existing categorical programs to any new system for providing Federal assistance for community development activities. Because it virtually invited a Presidential veto, the Conference Committee removed the anti-impoundment language.

\* \* \* \* \*

In mid-November 1973, the Senate Committee on Banking, Housing and Urban Affairs unanimously approved a resolution (S. Con. Res. 57) urging, as "the sense of Congress," that housing and community development programs, now under Administration-imposed impoundments and moratorium, should be continued until the programs are terminated by Congress or replaced by new programs. The resolution, sponsored by Senator Brooke and thirteen co-sponsors, states that "the general welfare and security of the nation require the realization as soon as feasible of the goal of a decent home and suitable living environment for every American family" and points out that Congress has authorized and appropriated funds to promote the attainment of that goal.

The resolution adds that, even though new legislative proposals are pending before Congress, the need for the assistance will not abate in the meantime and the Congress has neither suspended nor terminated any of the existing programs. This resolution was passed by the full Senate in the last week of November.

\* \* \* \* \*

Emergency legislation (S. 2735) was also introduced in the Senate in the last week of November by Senators Sparkman and Tower to fund existing categorical programs through Fiscal Year 1975 (July 1974 through June 1975). Sparkman indicated that the emergency bill is not a substitute for the more comprehensive legislation being drafted\* but that it may be late Spring of 1974 before such legislation is passed and many more months before it is implemented.

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\* For a description of the status of the more comprehensive legislation as of March 1974, see Page 31.

The amounts authorized for community development and housing in the proposed emergency bill are summarized as follows:

	<u>Fiscal Years (\$ Millions)</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Urban Renewal	-	-	1,000
Model Cities	-	-	400
Section 235	15	-	100
Section 236	50	100	200
Rent Supplements	-	-	50
Public Housing	-	210	250

No amount is identified for Section 312 rehabilitation loans.

With regard to urban renewal funding for FACE and redevelopment programs, national appropriations have been about \$1.20 billion per year for the last few years. For the current Fiscal Year 1974, \$0.60 billion was appropriated but the Administration has indicated that it will release only \$0.32 billion and impound the remaining \$0.28 billion. A recent national survey\* indicates a need of \$1.13 billion for the current Fiscal Year 1974. And, while the above Senate Bill (S. 2735) would provide \$1.00 billion for FY 1975, the survey reports a funding need of \$1.28 billion to carry on existing projects and an additional \$1.67 billion to begin long-delayed new projects.

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\* Urban Renewal \$ Needs, National Committee for Renewal Funding, February 20, 1974.



## V. COMMUNITY DEVELOPMENT PROGRAMMING

Under the Federal government's traditional approach to assisting a City's community development and housing activities, each categorical program is funded separately by Congress, administered by a special branch of HUD, and related directly to the programs of various City departments and agencies. Each HUD program has its own set of requirements and financial arrangements. While the separate programs for community development are reviewed and approved by the Mayor and the Board of Supervisors, their consideration of these matters is not done at one time nor on a regular basis.

As described in Section IV, Congress is currently considering several legislative proposals to consolidate the funding of community development programs and to revise the housing assistance programs. Under any new funding system for community development, grants will be provided directly to the City. Thus, the Mayor and the Board of Supervisors will have direct responsibility for the periodic consideration and approval of programs for the local use of such funds.

In anticipation of new Federal legislation, this Section describes procedures, citizen participation, and organizational considerations regarding community development and housing. Presented first, however, is a description of general procedures for programming which can apply to all major efforts for improvement whether it be community development, economic development or manpower.

### A. General Procedures for Programming

The City Charter provides that the Mayor transmit to the Board of Supervisors his State of the City message each October and his budget message each April. A recent report on program development and management\* has recommended that these messages serve as the basis for the establishment of improved procedures for annual programming and budgeting.

An important source of San Francisco's program funds are grants and assistance from the Federal government. These funds, provided by such Federal departments as Labor, Health-Education-Welfare, Commerce, Justice, Transportation, and Housing and Urban Development, flow to various City departments and agencies under a multitude of separate procedures and arrangements.

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\* ADP Report, Recommendations to the Mayor, June 1973.

Over the past several years, Federal policy has been directed to increasing program responsibility by local government for the coordinated management of these funds. With this changing relationship, the City needs an orderly system for managing and processing all Federal program funds. A principal consideration in developing such a system is the establishment of a basic procedure which provides a formal relationship between long-range objectives and the annual budget.

In recent years, a procedural pattern with four basic stages has emerged which can provide an orderly relationship between San Francisco's long-range objectives and the City's annual budget. Each of the four stages involve written reports, citizen involvement, recommended actions, and approval by City officials.

1. Long-Range Objectives and Policies. This first stage establishes broad, fundamental directions for basic improvements. Generally, these should be thoroughly reviewed and brought up to date every six to ten years. Long-range objectives and policies are established principally in the Comprehensive Plan by the Department of City Planning.
2. Mid-Range Strategies. These strategies, with a time-range of three to six years, outline relatively specific actions for carrying out the long-range objectives. The Department of City Planning is preparing mid-range strategies for the various elements of the Comprehensive Plan. These strategies should be prepared in cooperation with affected operating departments and agencies to assure compatibility and conformity between the mid-range strategy and the mid-range programs of each responsible department.
3. Annual Improvement Program. The third stage, this annual document, should cover all subject programs, outline actions to be taken in the coming year, and identify the funding needed for those actions. Preparation of annual programs is the responsibility of the Chief Administrative Officer and the Mayor. (The Department of City Planning is responsible for recommending capital improvements and annually submits a program to the Capital Improvements Advisory Committee which recommends funding priorities.) In the preparation of the annual program, proposals would be evaluated with the Department of City Planning for conformity to long-range objectives and mid-range strategy. The Mayor's preliminary recommendation for the annual program, prepared in cooperation with City departments and agencies, should be completed in time for inclusion in his October message on the State of the City. A final recommendation, revised as appropriate based upon citizen and departmental reviews, should be prepared in time to accompany the Mayor's April message on the budget.

4. Budgeting. The fourth and final stage in the general procedures for programming is the budgeting of program actions. Under the Charter, this function is the responsibility of the various City departments, the Chief Administrative Officer and the Mayor as the executive officers of the City, and the Board of Supervisors as the legislative officers. The final report on the annual improvement program, which would accompany the Mayor's proposed budget to the Board, would provide the supportive basis for the budget itself. With the Board's final approval, the budget becomes the City's official statement of priorities and actions for the coming year.

Together, the above four stages represent a basic process for orderly decision-making. The process would maintain a continuing relationship between long-range, broad objectives and the annual funding of public actions; it would provide for improved citizen participation and public understanding; and it would enable elected and appointed City officials to be more fully informed in making recommendations and decisions on programs and budgets.

This process is by no means in full operation. However, work is underway to apply the basic pattern to Federal funding for such programs as criminal justice, manpower training, economic development, transportation, as well as the subject of this report, community development and housing.

#### B. Procedures for Programming Community Development

The application of the above general procedures to the programming of community development is described below.

Long-Range Objectives and Policies. The major elements of the City's Comprehensive Plan cover the following eight subjects: residence, urban design, transportation, recreation, community facilities, commerce and industry, community safety, and environment protection. To date, as part of a broad effort to revise and update the Comprehensive Plan, the City Planning Commission has adopted long-range objectives and policies for residential development (April 8, 1971), urban design (August 6, 1971), transportation (April 27, 1972), and recreation and open space (May 24, 1973). Work on the other four elements is either in progress or scheduled.

Mid-Range Strategies. With regard to housing, the Department of City Planning has recently updated the mid-range strategy with its December 1973 report entitled "Residence: Strategy and Programs." Earlier, in July 1973, the report "Recreation and Open Space Programs" was completed. A mid-range strategy report on transportation is currently being prepared.



Annual Programming and Budgeting. Anticipated new Federal legislation will consolidate HUD funding for community development. A nine-step procedure has been prepared for the annual programming and budgeting of such funds for FACE/RAP, redevelopment, neighborhood facilities, open space and urban beautification, and model cities.

1. The Mayor's Office of Community Development (OCD), in cooperation with the Citizens Committee on Community Development (CCCCD), sponsors public forums to seek citizen views on community development and housing needs.
2. City departments and agencies submit their requests to the Office of the Mayor for review and evaluation.
3. The Mayor's OCD, in consultation with the Technical Policy Committee (TPC), prepares a preliminary program which outlines the actions to be undertaken in the next program-period and identifies the funding needed for those actions. The major features of the preliminary program would be included in the Mayor's October message on the State of the City.
4. The Office of the Mayor conducts a public hearing on the preliminary program.
5. The Mayor's OCD, in consultation with the TPC, prepares (a) a final program report with a budget for funding program actions and (b) an application to HUD. After approval by the Mayor, the report and application are recommended to the Board of Supervisors.
6. The Board of Supervisors conducts its public hearing and reviews the community development program and budget prior to approval.
7. The Office of the Mayor transmits the application for funds to HUD for approval.
8. Upon HUD's approval, it provides the funds to the City of San Francisco.
9. The Controller places the funds into a Community Development Account and, based upon the approved budget, arranges for the transfer of funds to the individual accounts of the operating departments and agencies.

For those steps where information is prepared regarding needs and recommendations, such information shall be provided to the CCCC. Following steps 1, 3, and 5, independent reports concerning program recommendations would be prepared by the CCCC.

In terms of sequence, amount of time, and the relationship to the fiscal year, the above steps for programming and budgeting community development on an annual basis is presented in the chart on the following page.

#### C. Procedures for New Projects

It should be kept in mind that, under local ordinance and State law, there are existing provisions for initiating certain community development projects. For FACE/RAP and for redevelopment, those provisions establish specific responsibilities for the official designation of new program areas. The Open Space Coordinating Committee designates areas for open space, historic preservation, and urban beautification projects. These responsibilities and procedures will continue to apply. Proposals for such projects, prepared by the Department of City Planning and the responsible operating agency and with the involvement of citizen or neighborhood groups, would be evaluated in terms of the mid-range strategy before undertaking steps for official designation.

#### D. Citizen Participation\*

Citizen participation is of critical importance in programming and carrying out community development and housing activities. Aside from the regular participation of citizens in selecting and relating to elected officials, there are three formal categories of citizen participation in the community development process:

official commissions,  
citywide advisory committee,  
project area committees.

Official commissions are established under the City Charter or by State Law. The major commissions involved in the community development and housing process are:

the City Planning Commission\*\*,  
the Redevelopment Agency, and  
the Housing Authority

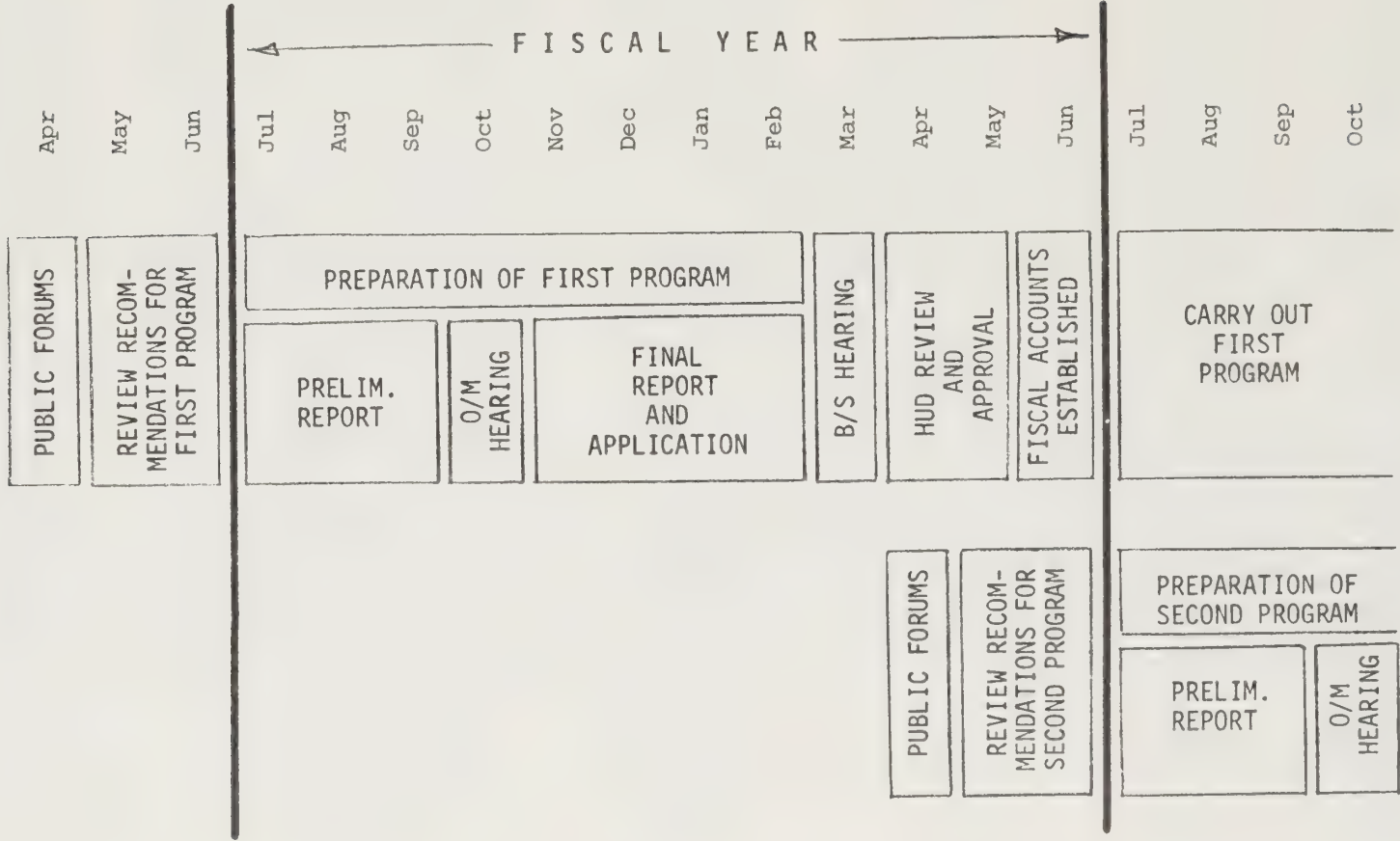
These citizen commissions are appointed by the Mayor and, in the case of the redevelopment and public housing boards, approved by the Board of Supervisors.

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\* For a report on all aspects of this subject, see the ADP Study, Citizen Participation: An Assessment for San Francisco, July 1973.

\*\* Also includes the Chief Administrative Officer and the General Manager of Public Utilities as ex officio members.

# ANNUAL PROCEDURES FOR PROGRAMMING AND BUDGETING COMMUNITY DEVELOPMENT





A citywide advisory committee was appointed by the Mayor to deal with community development matters. The Citizens Committee on Community Development (CCCD) was created to assist the Mayor and the Office of Community Development by advising on the use of HUD funds for community development and housing under the anticipated new Federal legislation.

Project Area Committees (PAC's) have been created for many of the urban renewal (FACE and redevelopment) projects. These citizen groups include the Western Addition Project Area Committee (WAPAC), the Hunters Point Joint Housing Committee (JHC), the Chinatown Coalition for Better Housing (CCBH), and the Citizen Advisory Committees (CAC's) established in FACE areas. In addition, citizen boards have been established for the Model Neighborhood Programs in the Mission District and in the Bayview-Hunters Point area. There are also tenant associations in public housing projects. These committees and boards work directly with the operating agencies on detailed program planning and execution.

As described earlier, the procedures for programming community development involve all three categories of citizen participation as well as general public hearings sponsored by both the Office of the Mayor and the Board of Supervisors.

In addition to these official forms of citizen participation, community groups such as the Planning Association for the Richmond (PAR), Mission Coalition Organization (MCO), Tenants and Owners Opposed to Redevelopment (TOOR), and the San Francisco Planning and Urban Renewal Association (SPUR) have had considerable involvement in community development and housing activities. It is anticipated that groups such as these will continue to have a vital role in future programming of community development through a variety of formal and informal means.

In carrying out the program, whether that involves continued activities in existing program areas or project planning for new areas, citizen and neighborhood committees would continue to work with City departments and agencies.

#### E. Organizational Considerations

Under any of the proposed new systems for the Federal funding of community development activities, the City will be directly responsible and accountable for the use of these funds and elected City officials will have a more direct role in the establishment of program policy. The organizational key to effective local administration will be the central location of program policy coordination.

As a first step, the Office of Community Development (OCD) has been established to provide the Mayor with administrative and technical capacity for meeting his responsibility regarding community development activities. As indicated earlier, two advisory committees have been created to assist the Mayor and the OCD in carrying out this more direct responsibility. One of these, the CCCD (Citizens Committee on Community Development), is comprised of people with extensive experience in and knowledge about citizen participation in community development programs. The other, the TPC (Technical Policy Committee), is comprised of the directors of City departments and agencies with responsibilities for HUD-assisted programs:

Office of Community Development  
 Department of City Planning  
 Model Cities Agency  
 Bureau of Building Inspection  
 Redevelopment Agency  
 Housing Authority  
 Recreation and Park Commission

Thus, for the executive and administrative branches of San Francisco government, the Office of the Mayor will provide the central location for coordinating program policy for those City departments and agencies with responsibility in community development activities.

The Board of Supervisors, as the legislative branch of City government, also has a major role in the establishment of program policy. Once the Office of the Mayor, with the participation of citizens and the cooperation of City departments and agencies, has prepared and recommended an annual program for community development, the Board of Supervisors would review and possibly modify the program prior to its approval to submit an application to HUD for funds. The Board would have the help of its own fiscal staff as well as the Mayor's Office of Community Development and the two advisory committees.

Under any of the current proposals to consolidate Federal funding of HUD programs, the existing organizational structure of local agencies which carry out community development and housing programs could be maintained. However, such proposed legislation raises the question as to whether or not there should be any administrative consolidation of related local agencies.\*

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\* The last serious study on reorganization for renewal and development programs was completed about ten years ago: CRP Organization and Administration Study, Arthur D. Little, Inc., February 1964. That study, which saw a need for reorganization in order to achieve a higher level of administrative coordination and centralized accountability, was not undertaken in response to any pending new system for receiving HUD funds.

Like the general government of San Francisco itself, the local organization for carrying out community development activities is comprised of a series of independent boards, commissions, and departments. The matter of identifying the most appropriate administrative structure for carrying out community development and housing programs is a complex subject. Although a detailed study of this subject was not possible within the limits of this report, several basic patterns have been considered for possible future evaluation:

1. maintain the existing structure;
2. consolidate the Housing Authority and the Redevelopment Agency;
3. consolidate into one agency all HUD-assisted activities for community development and housing; or
4. consolidate all departments and agencies related to the physical development of the City.

In making a judgement about alternative basic patterns, there are many questions that should be considered. These include:

1. Would the structure be understandable and responsive to the general public?
2. Would it provide effective coordination for all program elements?
3. Even if it provides effective coordination, would the structure provide for appropriate separation of basic duties and functions?
4. Would it provide central planning and management of related community development activities?
5. Would it be compatible with the spirit and style of San Francisco government?

It is unlikely that any one structure could satisfy all of these concerns.

It is not clear whether future Federal policy would make the consolidation of local departments and agencies beneficial. Congress and the Federal Administration are far from agreement on the fundamentals, much less the details, of new legislation. Specifically enacted legislation and subsequent administrative policy will clarify this question.



An increasing number of cities are undertaking various schemes to consolidate planning and development agencies. Some cities, such as Boston and Milwaukee, have had consolidated agencies for some time. More recent efforts, including Indianapolis and St. Louis, are taking place in anticipation of new forms of Federal aid.

As indicated earlier, a decision on the most appropriate pattern of administrative organization is a highly complex subject which requires extensive discussion among relevant City administrators and commissions, the Mayor's Office, and the Board of Supervisors. If agreement is reached on some new basic pattern, careful consideration would need to be given to such matters as defining fundamental responsibilities and organizational form, citizen participation, possible revisions to State Law, personnel needs, fiscal management, legal affairs, real estate activities, property management, relocation services, technical services, administrative services, and union-relation matters.

At this time, it is the policy of the Mayor's Office that consolidation be deferred. The Office of the Mayor intends to undertake full evaluation of all basic patterns:

1. when new Federal legislation is enacted;
2. when more information becomes available on the experience of other cities; and
3. if effective coordination of program policy by elected officials under the new procedures is not achieved during the first program period.

The key to dealing with any new form of Federal funding for community development and housing may simply be the centralization of program policy coordination with the strengthening of the role of elected officials in the consideration and approval of action programs on a periodic basis rather than consolidation of existing agencies. In reviewing the experience of other cities, this question will be given particular attention.

The next and final Section of this report outlines responsibilities that will be undertaken by the Office of the Mayor in strengthening program policy coordination for community development and housing.

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The previous discussion has been limited to the subject of community development and housing and to the Federal sources of funds for such programs. While these programs are significant in themselves, they are but a part of the City's total effort at improving the City. There is a practical limitation, however, on the extent to which administrative reform can take place...either for the one subject of community development and housing or for all public programs...without making revisions to the City Charter.

Charter revisions would provide the best overall solution to the City's current problems of administration and coordination. This has been recognized in numerous studies during the last decade; redefinition and redistribution of administrative authority and the corresponding need to centralize fiscal planning and budgeting were the main concerns. While some significant Charter changes have been made, they have been piecemeal. No comprehensive revision proposal has been approved by the voters. The last attempt was in 1970.

Whatever the reasons for the lack of citizen support for Charter revision, there remains the conclusion, by both those in and out of City government who have considered the question, that comprehensive Charter revision is the ultimate solution to many of the City's management problems.

## VI. EXECUTIVE RESPONSIBILITIES FOR PROGRAM COORDINATION

In light of the present policy to defer consolidation, steps need to be taken to facilitate centralized location for the coordination of program policy for community development and housing. As the City's chief executive officer, the Mayor has the responsibility of providing executive coordination. When new Federal legislation is enacted for community development, both the Mayor and the Board of Supervisors will have added responsibility for the annual programming and budgeting of Federal funds for such programs. Consequently, the Mayor with the support of his Office of Community Development will undertake the following responsibilities and duties.

### A. Prior to Enactment of New Federal Legislation

1. The Office of the Mayor will assist local departments and agencies in their relations with HUD and the Board of Supervisors with regard to HUD-assisted programs for community development and housing.
2. The Mayor's Office will prepare an illustrative Community Development and Housing Program and a Program Budget to serve as an example of the form and content of such documents under new Federal legislation.
3. The Department of City Planning has prepared a report entitled Strategy and Programs which recommends "a balanced approach with an emphasis on neighborhood maintenance and rehabilitation" as a mid-range strategy for the next five years. This strategy, which assumes the completion of the existing renewal projects, includes nine program elements:



- Expanding efforts to reverse and prevent neighborhood deterioration.
- Encouraging the rehabilitation of substandard buildings scattered throughout the city.
- Encouraging new "in-fill" housing of appropriate scale and character in scattered vacant lots and in cases of buildings which cannot feasibly be rehabilitated.
- Creating new residential areas in large vacant or nonresidential areas suitable for conversion when achievable without large-scale public assistance.
- Providing measures to preserve, improve, and expand the city's diminishing supply of low- and moderate-income housing.
- Encouraging increased owner occupancy of housing.
- Taking special measures to preserve and rehabilitate buildings with outstanding historical or architectural character.
- Assuring adequate neighborhood supporting services, facilities and amenities.
- Minimizing displacement and providing adequate relocation services.

This mid-range strategy serves as a basis for the annual programming and budgeting of community development and housing activities.

The neighborhood maintenance concept is the key feature of the housing strategy and needs to be made operational. Working jointly with the Department of City Planning, the Mayor's Office of Community Development will identify an operational definition of neighborhood maintenance, the kinds of neighborhoods in which its application would be appropriate, the role of the various City departments and agencies, and the administrative mechanism for program coordination.

4. A comprehensive and up-to-date inventory of HUD assistance for community development, summarized in Sections II and III, has been completed. The Mayor's Office of Community Development will review the format and data in that inventory with local agencies and with HUD for the purpose of establishing a permanent system for reporting on the status of such programs so that City officials and the general public can be kept fully informed.

5. In order to carry out and complete existing HUD-assisted programs, the availability of Federal funds must be assured. The Mayor will seek appropriate actions to see that such funding is assured. This means supporting Congress in its position that community development and housing should be continued until the existing programs are replaced by new programs (Senate-approved Resolution 57 and the proposed House Resolution 408). With regard to funding for Fiscal Year 1974, as approved by both Congress and the President (\$775 million for FACE, Redevelopment, and Model Cities), this means insisting that all such funds be made available and not be impounded by the Administration. And, since it is apparent that new Federal legislation will not be effective until July 1975 at the soonest, this also means supporting the emergency bill (S. 2735) to provide \$1.4 billion for FACE, Redevelopment and Model Cities and almost \$1.0 billion for subsidized housing for Fiscal Year 1975. Finally, this means the continued support of and cooperation with the Board of Supervisors in funding the local Rehabilitation Assistance Program (RAP).
6. In order that any new Federal legislation for community development and housing meet goals related to assisting neighborhoods in need of improvement and to the provision of decent homes, particularly for low and moderate income families, the Mayor will urge the enactment of legislation which contains and assures such goals. This means supporting the kind of legislation proposed in Congress which conforms to the principles and features described in Section IV and opposing the community development and housing legislation proposed by the Administration.
7. The State of California needs to take an active role in community development and housing. The Mayor will seek and support State legislation which would:
  - (a) establish a State Housing Agency to supplement and augment Federal assistance for housing and community development (project grants, mortgage insurance, loans and grants for rehabilitation, and direct loans for new development) and to guarantee local housing bonds;
  - (b) authorize and assist in the establishment of Housing Development Corporations at the metropolitan or regional level.

B. After Enactment of New Federal Legislation

1. The Office of the Mayor will undertake executive responsibility for the annual programming and budgeting of community development and housing.
2. In accordance with the nine procedural steps outlined in Section V, the Mayor's responsibility will include the preparation and processing of the Community Development and Housing Program (CDHP), the Program Budget, and the application to HUD for funds. This responsibility will not include the administrative operations of individual departments and agencies.
3. In the preparation of the CDHP, the Office of the Mayor will seek the recommendations of the Department of City Planning with regard to the program's conformity to the Comprehensive Plan and mid-range strategies.

All of the above responsibilities and duties of the Mayor's Office will be undertaken with the assistance and advice of the Citizens Committee on Community Development (CCCD) and the Technical Advisory Committee (TPC).

Finally, the Board of Supervisors and its staff will be kept fully informed on the execution of these responsibilities and duties. And, under the procedures related to pending new Federal legislation, the Mayor and his Office of Community Development will assist the Board in its review and consideration of proposed programs for community development and housing.



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